**Al Ain Ahlia Insurance Company P.S.C.**

Condensed interim consolidated financial information
(Unaudited)

For the three-month period ended 31 March 2023

**Al Ain Ahlia Insurance Company P.S.C.**
**Condensed Interim Consolidated Financial Information (Unaudited)**

**For the three-months period ended 31 March 2023**
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Al Ain Ahlia Insurance Co. (PSC)
INCORPORATED IN ABU DHABI BY ACT 18 OF THE YEAR 1975
INSURANCE REGISTRATION NO. 3 DATED 8/8/1984 AND SUBJECT TO THE PROVISIONS OF LAW NO. 6 OF 2007 CONCERNING THE ESTABLISHMENT OF INSURANCE AUTHORITY AND ITS REGULATIONS.
PAID UP CAPITAL DH. 150,000,000
Head Office : Abu Dhabi, Company Bldg., P.O. Box: 3077, Tel. 02 6119999
Website : www.alaininsurance.com

شركة العين الأهلية للتأمين (ش م ع)
تأسست في أبوظبي بموجب القانون رقم (١٨) لسنة ١٩٧٥
مسجلة تحت رقم ٣ في ١٩٨٤/٨/٨ و تخضع لأحكام القانون
رقم ٦ لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين و تنظيم أعماله
رأس المال (المدفوع ١٥٠،٠٠٠،٠٠٠ درهم)
المركز الرئيسي : أبوظبي بناية الشركة ص.ب : ٣٠٧٧، ت : ٠٢٦١١٩٩٩٩
E-mail : info@alaininsurance.com

# BOARD OF DIRECTORS' REPORT

We are pleased to submit our report in respect of the company's business activities during the first quarter of 2023 together with our Auditor's report in addition to the summary of financials for the period ended 31 March 2023.

The UAE economy is forecast by the world bank to grow at 3.3% in 2023. Inflation in the UAE is also projected to drop to 3.2% by the end of this year, down from 4.8% last year. The insurance sector is expected to face some regulatory challenges in the year 2023.

The main highlights of the company's Financial Results for the period ended 31 March 2023 can be summarized as follows:

**Figures in AED '000**

| Description | 31/03/2023 | 31/03/2022 | % |
|---|---|---|---|
| Insurance Revenue | 354,008 | 289,422 | 22.32 |
| Insurance Service Result | (8,557) | (4,425) | (93.38) |
| Net Investment & Other Income | 19,627 | 10,465 | 87.55 |
| Net Profit for the period | 11,070 | 6,040 | 83.28 |
| Total Assets | 2,630,459 | 2,980,206 | (11.74) |
| Shareholders' Equity | 1,276,976 | 1,351,776 | (5.53) |
| Basic & Diluted Earnings per share (EPS) | 0.74 | 0.40 | 85.00 |

**Chairman**

**General Manager**

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## Report on review of the condensed interim consolidated financial information
## To the Board of Directors of Al Ain Ahlia Insurance Company P.S.C.

### Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Al Ain Ahlia Insurance Company P.S.C. (the "Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2023, and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the three-month period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

**GRANT THORNTON**
**Farouk Mohamed**
**Registration No: 86**
**Abu Dhabi, United Arab Emirates**
**Date: 14 June 2023**

## Al Ain Ahlia Insurance Company P.S.C.
## Condensed Interim Consolidated Financial Information (Unaudited)

### Condensed interim consolidated statement of financial position
### As at 31 March 2023

| | Notes | (Unaudited) 31 March 2023 AED'000 | Restated (Audited) 31 December 2022 AED'000 | Restated (Audited) 31 December 2021 AED'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | 4 | **757,800** | 761,120 | 773,767 |
| Investment properties | 5 | **83,352** | 83,352 | 78,242 |
| Intangible assets | | **123** | 144 | 362 |
| Statutory deposit | 6 | **10,000** | 10,000 | 10,000 |
| Investments carried at fair value through other comprehensive income | 7 | **495,369** | 466,095 | 451,758 |
| Investments carried at fair value through profit or loss | 8 | **1,464** | - | - |
| Insurance contract assets | 9 | **171,069** | - | - |
| Reinsurance contract assets | 9 | **892,853** | 852,110 | 1,112,363 |
| Other receivables and prepayments | | **72,548** | 25,499 | 65,947 |
| Term deposits | 10 | **86,443** | 168,092 | 158,972 |
| Cash and cash equivalents | 11 | **59,438** | 88,347 | 152,258 |
| **TOTAL ASSETS** | | **2,630,459** | 2,454,759 | 2,803,669 |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Share capital | | **150,000** | 150,000 | 150,000 |
| Statutory reserve | | **75,000** | 75,000 | 75,000 |
| General reserve | | **600,000** | 600,000 | 600,000 |
| Technical reserve | | **8,083** | 8,083 | 8,083 |
| Reinsurance default reserve | | **17,496** | 13,905 | 10,190 |
| Investment revaluation reserve | | **188,170** | 196,325 | 198,643 |
| Retained earnings | | **238,227** | 268,248 | 258,308 |
| **TOTAL EQUITY** | | **1,276,976** | 1,311,561 | 1,300,224 |
| | | | | |
| **LIABILITIES** | | | | |
| Provision for employees' end of service benefits | | **16,451** | 12,865 | 41,512 |
| Insurance contract liabilities | 9 | **1,117,941** | 1,061,149 | 1,366,163 |
| Reinsurance contract liabilities | 9 | **158,090** | 2,004 | 3,018 |
| Accruals and other payables | | **61,001** | 67,180 | 92,752 |
| **TOTAL LIABILITIES** | | **1,353,483** | 1,143,198 | 1,503,445 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,630,459** | 2,454,759 | 2,803,669 |

To the best of our knowledge, the condensed interim consolidated financial information present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for the three-month period ended 31 March 2023.

This condensed interim consolidated financial information was approved by the Board of Directors on 14 June 2023 and signed on their behalf by:

Chairman General Manager Chief Financial Officer

The accompanying notes from 1 to 22 form an integral part of this condensed interim consolidated financial information.

## Condensed interim consolidated statement of profit or loss
## For the three-month period ended 31 March 2023

| | Notes | **(Unaudited) Three-month period ended 31 March 2023 AED'000** | Restated (Unaudited) Three-month period ended 31 March 2022 AED'000s |
|---|---|---|---|
| Insurance revenue | | **354,008** | 289,422 |
| Insurance service expenses | | **(218,965)** | (375,494) |
| **Insurance service result before reinsurance contracts held** | | **135,043** | (86,072) |
| Allocation of reinsurance premiums | | **(282,828)** | (204,735) |
| Amounts recoverable from reinsurance for incurred claims | | **140,585** | 286,370 |
| **Net (expenses)/income from reinsurance contracts held** | | **(142,243)** | 81,635 |
| **Insurance service result** | | **(7,200)** | (4,437) |
| Income from investments- net | | **14,446** | 5,022 |
| Income from investment properties- net | | **579** | 673 |
| **Total investment income** | 14 | **15,025** | 5,695 |
| Insurance finance (expenses)/income for insurance contracts issued | | **(10,888)** | 7,881 |
| Reinsurance finance income/(expenses) for reinsurance contracts held | | **9,531** | (7,869) |
| **Net insurance and investment results** | | **(1,357)** | 12 |
| Other income | | **4,602** | 4,770 |
| **Profit for the period** | | **11,070** | 6,040 |
| **Basic and diluted earnings per share** | 16 | **0.74** | 0.40 |

The accompanying notes from 1 to 22 form an integral part of this condensed interim consolidated financial information.

## Condensed interim consolidated statement of other comprehensive income
## For the three-month period ended 31 March 2023

| | (Unaudited) AED'000 Three-month period ended 31 March 2023 | Restated (Unaudited) AED'000 Three-month period ended 31 March 2022 |
|---|---|---|
| **Profit for the period** | **11,070** | 6,040 |
| **Other comprehensive (loss)/income** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Change in fair value of equity instruments carried at FVTOCI | **(7,642)** | 49,712 |
| *Items that may be subsequently reclassified to profit or loss:* | | |
| Change in fair value of debt instruments carried at FVTOCI | **(513)** | (4,200) |
| **Total other comprehensive (loss) /income for the period** | **(8,155)** | 45,512 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **2,915** | 51,552 |

The accompanying notes from 1 to 22 form an integral part of this condensed interim consolidated financial information.

## Condensed interim consolidated statement of changes in equity
## For the three-month period ended 31 March 2023

| | Share capital AED'000 | Statutory reserve AED'000 | General reserve AED'000 | Technical reserve AED'000 | Reinsurance default reserve AED'000 | Investment revaluation reserve AED'000 | Retained earnings AED'000 | Total equity AED'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2022, as previously reported | 150,000 | 75,000 | 600,000 | 8,083 | 10,190 | 198,643 | 259,032 | 1,300,948 |
| Adjustment on initial application of IFRS 17 | - | - | - | - | - | - | (724) | (724) |
| Restated balance at 1 January 2022 | 150,000 | 75,000 | 600,000 | 8,083 | 10,190 | 198,643 | 258,308 | 1,300,224 |
| Net profit for the period (restated) | - | - | - | - | - | - | 6,040 | 6,040 |
| Other comprehensive income for the period | - | - | - | - | - | 45,512 | - | 45,512 |
| Transfer to reinsurance default reserve | - | - | - | - | 1,517 | - | (1,517) | - |
| Balance as at 31 March 2022 (Unaudited) | 150,000 | 75,000 | 600,000 | 8,083 | 11,707 | 244,155 | 262,831 | 1,351,776 |
| Balance at 1 January 2023 (Audited) | 150,000 | 75,000 | 600,000 | 8,083 | 13,905 | 196,325 | 273,455 | 1,316,768 |
| Impact of initial application of IFRS 17 | - | - | - | - | - | - | (5,207) | (5,207) |
| Restated balance as at 1 January 2023 | 150,000 | 75,000 | 600,000 | 8,083 | 13,905 | 196,325 | 268,248 | 1,311,561 |
| Net profit for the period | - | - | - | - | - | - | 11,070 | 11,070 |
| Other comprehensive loss for the period | - | - | - | - | - | (8,155) | - | (8,155) |
| Dividends paid | - | - | - | - | - | - | (37,500) | (37,500) |
| Transfer to reinsurance default reserve | - | - | - | - | 3,591 | - | (3,591) | - |
| **Balance as at 31 March 2023 (Unaudited)** | **150,000** | **75,000** | **600,000** | **8,083** | **17,496** | **188,170** | **238,227** | **1,276,976** |

The accompanying notes from 1 to 22 form an integral part of this condensed interim consolidated financial information

## Condensed interim consolidated statement of cash flows
## For the three-month period ended 31 March 2023

| | Notes | **Three-month period ended 31 March 2023 (Unaudited) AED'000** | Three-month period ended 31 March 2022 *Restated* (Unaudited) AED'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period | | **11,070** | 6,040 |
| **Adjustments for:** | | | |
| Depreciation on property and equipment | | **3,358** | 3,337 |
| Amortisation of intangible assets | | **21** | 80 |
| Change in fair value of investments carried at FVTPL | | **(70)** | - |
| Interest and dividend income | 14 | **(14,386)** | (5,185) |
| Provision for employees' end of service benefits | | **3,920** | 3,552 |
| | | **3,913** | 7,824 |
| **Working capital changes:** | | | |
| Change in insurance contract assets | | **(171,069)** | - |
| Change in reinsurance contract assets | | **(40,743)** | (178,993) |
| Change in insurance contract liabilities | | **56,792** | 183,559 |
| Change in reinsurance contract liabilities | | **156,086** | (605) |
| Change in other receivables and prepayments | | **(47,049)** | 29,947 |
| Change in accruals and other payables | | **(6,179)** | (27,951) |
| **Cash (used in)/generated from operations** | | **(48,249)** | 13,781 |
| Employees' end of service benefits paid | | **(334)** | (33,570) |
| **Net cash used in operating activities** | | **(48,583)** | (19,789) |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(38)** | (35) |
| Purchase of investments carried at fair value through other comprehensive income | 7 | **(37,429)** | (7,665) |
| Purchase of investments carried at fair value through profit or loss | | **(1,394)** | - |
| Proceeds from sale of investments carried at fair value through other comprehensive income | 7 | **-** | 7,422 |
| Decrease in term deposits maturing for more than three months | | **81,649** | 20,507 |
| Interest and dividend received | 14 | **14,386** | 5,185 |
| **Net cash generated from investing activities** | | **57,174** | 25,414 |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(37,500)** | - |
| **Net cash used in financing activity** | | **(37,500)** | - |
| | | | |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(28,909)** | 5,625 |
| Cash and cash equivalents at the beginning of the period | | **88,347** | 152,258 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **59,438** | 157,883 |

The accompanying notes from 1 to 22 form an integral part of this condensed interim consolidated financial information.

## 1 General information

Al Ain Ahlia Insurance Company P.S.C. (the "Company") is incorporated in Abu Dhabi with limited liability by Law No. (18) of 1975. Al Ain Ahlia Insurance Company P.S.C. is registered as a public shareholding company in accordance with the Federal Law No. (2) of 2015, as amended. The Company is subject to the regulations of the UAE Federal Law no. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of the Central Bank of the United Arab Emirates ("CBUAE") (formerly, UAE Insurance Authority ("IA")) under registration number 3.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Central Bank of the United Arab Emirates and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended) The Group is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 as at the date of this condensed interim consolidated financial information.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - *Income Taxes*. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the three-month period ended 31 March 2023. In addition, certain other cabinet decisions are pending as on the date of this condensed interim consolidated financial information, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

The Company is domiciled and operates in the UAE and its registered address is P.O. Box 3077, Abu Dhabi, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The condensed interim consolidated financial information comprises the Company and its subsidiary, Al Bandar Investment one person company L.L.C which is wholly owned by the Company, (together referred to as "the Group").

## 2 Basis of preparation

### Statement of compliance

This condensed interim consolidated financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*".

The condensed interim consolidated financial information does not contain all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, the results for the three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The condensed interim consolidated financial information has been prepared on the historical cost basis except for the investments carried at fair value through other comprehensive income, investments carried at fair value through profit or loss and investment properties.

The condensed interim consolidated financial information is presented in United Arab Emirates Dirhams ("AED"), being the functional and presentational currency of the Company and the Group. All assets have been rounded to the nearest thousand (AED'000) excepts when otherwise indicated.

### Use of estimates and judgements

The preparation of this condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

## 3 Significant accounting policies

In preparing this condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2022, with the exception of new standards applicable from 1 January 2023 and several amendments and interpretations apply for the first time in 2023. However, these amendments and interpretations do not have material impact on the condensed interim financial information of the Group except for the adoption of IFRS 17 *Insurance contracts*. The requirements of IFRS 17 have bought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparatives amounts in opening balances.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS

### IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Group applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

IFRS 17 replaces IFRS 4 "Insurance Contracts" and effective for annual periods starting on or after 1 January 2023. The Group has restated comparative information applying the transitional provisions to IFRS 17.

### Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Reinsurance contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognises an onerous group of underlying insurance contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following three requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts

### Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of insurance contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

***Premium Allocation Approach ("PAA")***

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC. Under PAA, it is not required to consider each component of the premium separately instead a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage ("LRC")

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All of the Group's short-term business is eligible for this simplification and the Group has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment this would increase the liabilities whereas discounting will generally decrease the liabilities. The net effect of PAA depends on whether the impact of risk adjustment is greater than the impact of discounting or the impact deferring additional expenses that are currently not deferred.

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Measurement Models (continued)

### General Measurement Model ("GMM")

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach ("PAA") and Variable Fees Approach ("VFA") are not applied. GMM is based on the premise that premiums (or considerations) for insurance contracts comprises of certain components (such claims, expenses and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage ("LRC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows
- Contractual Service Margin ("CSM")

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

### Variable Fees Approach ("VFA")

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of insurance contract issued and associated liabilities, but same principles are applicable to reinsurance contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC will be applicable.

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Measurement Models (continued)

### Variable Fees Approach ("VFA") (continued)

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows ("FCF"). In terms of revenues and expense GMM and VFA are quite similar however, a significant difference exists between GMM/VFA and PAA. The revenues under GMM and VFA show each component of the premium separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Group's unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM / VFA and the current methodologies for the long-term business. The key differences are discussed below:

- Under IFRS 17 assets or liabilities will be determined using gross premium calculations as opposed to risk premium calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-premium based calculations are higher or lower than those required in gross-premium based calculations.

- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for insurance contracts issued and increases the asset for the reinsurance contracts held.

- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long- term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, 'coverage units', to quantify the services provided in any period. Given that single premium contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single premium contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.

- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the premium (i.e., expected claims and expenses and the portion of the profits relating to the period).

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Estimates of Future Cashflows

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., premium. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

### Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk. The standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

### Discounting

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard does recognise the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used, and an illiquidity premium is added to reflect the characteristics of the cashflows.

- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure insurance contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

### Contractual Service Margin ("CSM")

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides insurance contract services in the future. At initial recognition CSM is computed using the FCF whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to Profit & Loss as revenue in every period using coverage units.

### Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

### Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach ("FRA") which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

- Modified Retrospective Approach ("MRA"): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.
- Fair Value Approach ("FVA"): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

### Key Accounting Policy Choices

IFRS 17 requires Group to make various accounting policy choices. The key accounting policy choices made by the Group are described below.

| Accounting Policy | Group Decision |
|---|---|
| Level of Aggregation – Adopting more granular profitability | Group has adopted the minimum three classifications provided in the standard and not use more granular classifications |
| Level of Aggregation – Adopting more granular cohort | Group is using annual cohorts and not using shorter cohorts. |
| PAA – Deferring insurance acquisition cashflows | Under PAA, in some circumstances, it is allowed to recognise insurance acquisition cashflows as expense and the Group opted to utilise this choice for all insurance acquisition cashflows. |
| PAA – Discounting LIC | Under PAA, in some circumstances, it is allowed not to discount the LIC, but Group is not using this option and discounts all LIC. |
| Interest Accretion – OCI Option | The standard allows that finance expense can be split between OCI, and P&L. Group aims to reflect entire finance expense in the P&L and plans not split between OCI and P&L. |
| Transition Approach | The Group has considered a Full Retrospective Approach. |

## 3 Significant accounting policies (continued)

### Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

### IFRS 17 Insurance Contracts (continued)

#### Assumptions

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of insurance and reinsurance contract assets and liabilities and associated revenues and expenses). The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) have to be market consistent.

#### Presentation and Disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, premiums will not be presented as revenues instead each component of the premium (such as expected claims and expenses) will be shown separately. Another key requirement relates to the presentation of reinsurance contracts held. Under IFRS 17 amounts related to insurance contract issued will be reported and net effect of reinsurance contracts held will be reported separately. In addition to the above requirements, the new standard also introduces various new disclosures related to the insurance and reinsurance contract assets and liabilities and associated revenues and expenses.

For presentation in the condensed interim statement of financial position, the line items for insurance and reinsurance contracts issued and reinsurance contracts held have been changed significantly compared with last year. Previously balance sheet items related to insurance and reinsurance contracts were split into the following line items:

- **Assets:**
- Insurance balances receivable;
- Reinsurers' share of unearned premiums reserve;
- Reinsurers' share of outstanding claims reserve; and
- Reinsurers' share of claims incurred but not reported reserve.

- **Liabilities:**
- Unearned premiums reserve;
- Outstanding claims reserve;
- Claims incurred but not reported reserve; and
- Allocated and unallocated loss adjustment expenses reserve.

Under IFRS 17, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately on the balance sheet:

- Portfolios of insurance contracts issued that are assets;
- Portfolios of insurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

## 3 Significant accounting policies (continued)

### Judgements and estimates

The preparation of this condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2022. Except for the below judgements.

### Insurance and reinsurance contracts

The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

### Liability for remaining coverage

For insurance acquisition cash flows, the Group is eligible and chooses to recognise the payments as an expense immediately (coverage period of a year or less) for its property insurance product line. For personal accident insurance, marine insurance and liability reinsurance products, acquisition costs are capitalised.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

For the marine and personal insurance product lines, the Group adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

## 3 Significant accounting policies (continued)

### Judgements and estimates (continued)

### Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the property line of business permit the Group to sell property acquired in settling a claim. The Group also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

*Discount rates:*

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

| | **1 year** | | **3 years** | | **5 years** | | **10 years** | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Personal accident, marine and property contracts issued | | | | | | | | |
| AED | 5.21% | 5.56 % | 3.38 % | 3.96% | 3.34% | 4.04% | 3.62% | 4.30% |
| USD | 5.21% | 5.56 % | 3.38 % | 3.96% | 3.34% | 4.04% | 3.62% | 4.30% |
| Liability reinsurance contracts issued | | | | | | | | |
| AED | 5.21% | 5.56 % | 3.38 % | 3.96% | 3.34% | 4.04% | 3.62% | 4.30% |
| USD | 5.21% | 5.56 % | 3.38 % | 3.96% | 3.34% | 4.04% | 3.62% | 4.30% |

## 3 Significant accounting policies (continued)

### Judgements and estimates (continued)

### Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

### Insurance and financial risk management

The Group’s insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2022. There have been no changes in any risk management policies since the year end.

### Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2022.

As required by the Securities and Commodities Authority ("SCA") circular No. 411/2018 dated 7 July 2018, the Group does not have any investments or exposures with Abraj Group.

The accounting policies in respect of investment properties, investment in securities and property and equipment are disclosed in this condensed interim consolidated financial information as required by SCA notification dated 12 October 2008.

## 4 Property and equipment

Property and equipment include land with a carrying value of AED 301 million (31 December 2022: AED 301 million).

## 5 Investment property

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out for the year ended 31 December 2022 by an independent valuer not related to the Group. The independent valuer is a member of the Royal Institute of Surveyors, and it has appropriate qualifications and recent experience in the valuation of properties in the relevant locations

Management believes that the net impact of any potential changes in the key assumptions underlying this valuation used is not material and accordingly there is no change in the fair value of the investment properties as at 31 March 2023 compared to 31 December 2022. Management believes that fair value has not changed significantly during the period.

Management estimates that there has been no change in the fair value of investment properties. Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2023 (31 December 2022: Level 3).

All investment properties are located in the United Arab Emirates.

The rental income earned by the Group from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties is as follows:

| | **Three-month period ended 31 March** | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | **AED'000** | AED'000 |
| Rental income | **750** | 933 |
| Direct operating expenses | **(171)** | (260) |
| | **579** | 673 |

## 6 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007 (as amended) covering insurance companies and agencies, the Group maintains a bank deposit of AED 10,000,000 (31 December 2021: AED 10,000,000) which cannot be utilized without the consent of the Central Bank of the United Arab Emirates.

## 7 Investments carried at fair value through other comprehensive income

| | 31 March 2023 (Unaudited) AED'000 | 31 December 2022 (Audited) AED'000 |
|---|---|---|
| Quoted UAE equity securities | **340,130** | 311,555 |
| Quoted UAE debt securities | **152,660** | 151,961 |
| Unquoted non-UAE equity securities | **2,579** | 2,579 |
| | **495,369** | 466,095 |

The movement in the investments carried at fair value through other comprehensive income is as follows:

| | 31 March 2023 (Unaudited) AED'000 | 31 December 2022 (Audited) AED'000 |
|---|---|---|
| Fair value at beginning of period / year | **466,095** | 451,758 |
| Additions | **37,429** | 24,077 |
| Disposals | **-** | (7,422) |
| Change in fair value taken to other comprehensive income: | | |
| *Equity instruments* | **(7,642)** | 9,354 |
| *Debt instruments* | **(513)** | (11,672) |
| Fair value at end of the period / year | **495,369** | 466,095 |

## 8 Investments carried at fair value through profit or loss

| | 31 March 2023 (Unaudited) AED'000 | 31 December 2022 (Audited) AED'000 |
|---|---|---|
| Quoted UAE equity securities | **1,464** | - |

## Notes to the condensed interim consolidated financial information (continued)
## For the three-month period ended 31 March 2023

### 9 Insurance contract liabilities and reinsurance contract assets

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

Contracts measured under the PAA

| 31 March 2023 (Unaudited) | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk adjustment | Total |
| | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 |
| Insurance contract liabilities as at 1 January | 282,494 | 24,316 | 720,284 | 34,055 | 1,061,149 |
| Insurance contract assets as at 1 January | - | - | - | - | - |
| Insurance contract liabilities as at 1 January | 282,494 | 24,316 | 720,284 | 34,055 | 1,061,149 |
| Insurance revenue | (354,008) | - | - | - | (354,008) |
| Insurance service expenses | 22,633 | (2,222) | 192,275 | 6,279 | 218,965 |
| Incurred claims and other expenses | - | - | 231,043 | 8,378 | 239,421 |
| Amortisation of insurance acquisition cash flows | 22,633 | - | - | - | 22,633 |
| Losses on onerous contracts and reversals | - | (2,222) | - | - | (2,222) |
| Changes to liabilities for incurred claims | - | - | (38,768) | (2,099) | (40,867) |
| **Insurance service result** | (331,375) | (2,222) | 192,275 | 6,279 | (135,043) |
| Insurance finance expenses | - | - | 10,424 | 464 | 10,888 |
| **Total changes in the statement of comprehensive income** | (331,375) | (2,222) | 202,699 | 6,743 | (124,155) |
| ***Cash flows*** | | | | | |
| Premiums received | 109,263 | - | - | - | 109,263 |
| Claims and other expenses paid | - | - | (83,164) | - | (83,164) |
| Insurance acquisition cash flows | (16,221) | - | - | - | (16,221) |
| **Total cash flows** | 93,042 | - | (83,164) | - | 9,878 |
| **Net insurance contract liabilities as at 31 March** | 44,161 | 22,094 | 839,819 | 40,798 | 946,872 |
| Insurance contract liabilities as at 31 March | 301,271 | 17,657 | 759,152 | 39,861 | 1,117,941 |
| Insurance contract assets as at 31 March | (257,110) | 4,437 | 80,667 | 937 | (171,069) |
| **Net insurance contract liabilities as at 31 March** | 44,161 | 22,094 | 839,819 | 40,798 | 946,872 |

## 9 Insurance contract liabilities and reinsurance contract assets (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Contracts measured under the PAA (continued)

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
|---|---|---|---|---|---|
| 31 December 2022 *(restated) (Audited)* | Excluding loss component Unaudited AED'000 | Loss component Unaudited AED'000 | Estimates of the present value of future cash flows Unaudited AED'000 | Risk adjustment Unaudited AED'000 | Total Unaudited AED'000 |
| Insurance contract liabilities as at 1 January | 459,530 | 71,938 | 803,882 | 30,813 | 1,366,163 |
| Insurance contract assets as at 1 January | - | - | - | - | - |
| Insurance contract liabilities as at 1 January | 459,530 | 71,938 | 803,882 | 30,813 | 1,366,163 |
| Insurance revenue | (1,103,842) | - | - | - | (1,103,842) |
| Insurance service expenses | 104,396 | (47,622) | 662,518 | 2,184 | 721,476 |
| Incurred claims and other expenses | - | - | 1,038,793 | 21,367 | 1,060,160 |
| Amortisation of insurance acquisition cash flows | 104,396 | - | - | - | 104,396 |
| Losses on onerous contracts and reversals | - | (47,622) | - | - | (47,622) |
| Changes to liabilities for incurred claims | - | - | (376,275) | (19,183) | (395,458) |
| Insurance service result | (999,446) | (47,622) | 662,518 | 2,184 | (382,366) |
| Insurance finance expenses | - | - | (4,759) | 1,058 | (3,701) |
| Total changes in the statement of comprehensive income | (999,446) | (47,622) | 657,759 | 3,242 | (386,067) |
| *Cash flows* | | | | | |
| Premiums received | 931,868 | - | - | - | 931,868 |
| Claims and other expenses paid | - | - | (741,357) | - | (741,357) |
| Insurance acquisition cash flows | (109,458) | - | - | - | (109,458) |
| Total cash flows | 822,410 | - | (741,357) | - | 81,053 |
| Net insurance contract liabilities as at 31 December | 282,494 | 24,316 | 720,284 | 34,055 | 1,061,149 |
| Insurance contract liabilities as at 31 December | 282,494 | 24,316 | 720,284 | 34,055 | 1,061,149 |
| Insurance contract assets as at 31 December | - | - | - | - | - |
| **Net insurance contract liabilities as at 31 December** | 282,494 | 24,316 | 720,284 | 34,055 | 1,061,149 |

## 9 Insurance contract liabilities and reinsurance contract assets (continued)

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims**

Contracts measured under the PAA

| 31 March 2023 (Unaudited) | Assets for remaining coverage | | Amounts recoverable on incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss recovery component Unaudited AED'000 | Loss component Unaudited AED'000 | Estimates of the present value of future cash flows Unaudited AED'000 | Risk adjustment Unaudited AED'000 | Total Unaudited AED'000 |
| Reinsurance contract assets as at 1 January | 173,424 | 18,952 | 628,691 | 31,042 | 852,109 |
| Reinsurance contract liabilities as at 1 January | (2,061) | - | 56 | 1 | (2,004) |
| **Net reinsurance contract (liabilities)/assets** | 171,363 | 18,952 | 628,747 | 31,043 | 850,105 |
| An allocation of reinsurance premiums | (282,828) | - | - | - | (282,828) |
| Amounts recoverable from reinsurers for incurred claims | - | (3,616) | 138,190 | 6,011 | 140,585 |
| Amounts recoverable for incurred claims and other expenses | - | - | 172,898 | 7,324 | 180,222 |
| Loss-recovery on onerous underlying contracts and adjustments | - | (3,616) | - | - | (3,616) |
| Changes to amounts recoverable for incurred claims | - | - | (34,708) | (1,313) | (36,021) |
| **Net (expense)/income or from reinsurance contracts held** | (282,828) | (3,616) | 138,190 | 6,011 | (142,243) |
| Reinsurance finance income | - | - | 9,194 | 423 | 9,617 |
| Effect of changes in non-performance risk of reinsurers | - | - | (86) | - | (86) |
| **Total changes in the statement of comprehensive income** | (282,828) | (3,616) | 147,298 | 6,434 | (132,712) |
| ***Cash flows*** | | | | | |
| Premiums paid | 53,218 | - | - | - | 53,218 |
| Amounts received | - | - | (35,848) | - | (35,848) |
| **Total cash flows** | 53,218 | - | (35,848) | - | 17,370 |
| **Net reinsurance contract assets/(liabilities) as at 31 March** | (58,247) | 15,336 | 740,197 | 37,477 | 734,763 |
| Reinsurance contract assets as at 31 March | 191,761 | 15,331 | 651,331 | 34,430 | 892,853 |
| Reinsurance contract liabilities as at 31 March | (250,008) | 5 | 88,866 | 3,047 | (158,090) |
| **Net reinsurance contract assets/(liabilities) as at 31 March** | (58,247) | 15,336 | 740,197 | 37,477 | 734,763 |

## 9 Insurance contract liabilities and reinsurance contract assets (continued

**Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)**

Contracts measured under the PAA (continued)

| 31 December 2022 *(restated) (Audited)* | Assets for remaining coverage | | Amounts recoverable on incurred claims | | |
|---|---|---|---|---|---|
| | Excluding loss recovery component | Loss component | Estimates of the present value of future cash flows | Risk adjustment | Total |
| | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 | Unaudited AED'000 |
| Reinsurance contract assets as at 1 January | 353,365 | 66,616 | 662,710 | 29,672 | 1,112,363 |
| Reinsurance contract liabilities as at 1 January | (3,260) | - | 240 | 2 | (3,018) |
| Net reinsurance contract (liabilities)/assets | 350,105 | 66,616 | 662,950 | 29,674 | 1,109,345 |
| An allocation of reinsurance premiums | (803,257) | - | - | - | (803,257) |
| Amounts recoverable from reinsurers for incurred claims | - | (47,664) | 496,154 | 347 | 448,837 |
| Amounts recoverable for incurred claims and other expenses | - | - | 814,886 | 20,304 | 835,190 |
| Loss-recovery on onerous underlying contracts and adjustments | - | (47,664) | - | - | (47,664) |
| Changes to amounts recoverable for incurred claims | - | - | (318,732) | (19,957) | (338,689) |
| Net income or expense from reinsurance contracts held | (803,257) | (47,664) | 496,154 | 347 | (354,420) |
| Reinsurance finance income | - | - | (4,342) | 1,023 | (3,319) |
| Investment components and premium refunds | - | - | (698) | - | (698) |
| Effect of changes in non-performance risk of reinsurers | (803,257) | (47,664) | 491,114 | 1,370 | (358,437) |
| Total changes in the statement of comprehensive income | (803,257) | - | - | - | (803,257) |
| *Cash flows* | | | | | |
| Premiums paid | 624,516 | - | - | - | 624,516 |
| Amounts received | - | - | (525,318) | - | (525,318) |
| Total cash flows | 624,516 | - | (525,318) | - | 99,198 |
| Net reinsurance contract assets/(liabilities) as at 31 December | 171,364 | 18,952 | 628,746 | 31,044 | 850,106 |
| Reinsurance contract assets as at 31 December | 173,425 | 18,952 | 628,690 | 31,043 | 852,110 |
| Reinsurance contract liabilities as at 31 December | (2,061) | - | 56 | 1 | (2,004) |
| Net reinsurance contract assets/(liabilities) as at 31 December | 171,364 | 18,952 | 628,746 | 31,044 | 850,106 |

## 10 Term deposits

Term deposits represent fixed deposits with bank amounting to AED 86 million as at 31 March 2023 (31 December 2022: AED 168 million), carry average interest at the rate of 4% (31 December 2022: 3.75%) per annum with a maturity of 1 year.

## 11 Cash and cash equivalents

| | **31 March 2023 (Unaudited) AED'000** | 31 December 2022 (Audited) AED'000 |
|---|---|---|
| Current accounts with banks | **59,198** | 88,270 |
| Cash on hand | **240** | 77 |
| Time deposits | **86,443** | 168,092 |
| Cash and bank balances | **145,881** | 256,439 |
| Less: fixed deposits with an original maturity of more than three months (note 10) | **(86,443)** | (168,092) |
| Cash and cash equivalents | **59,438** | 88,347 |

## 12 Related party transactions and balances

Related parties comprise the major shareholders, the directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

Details of related party balances are as follows:

| | *Nature of relationship* | **31 March 2023 (Unaudited) AED'000** | 31 December 2022 (Audited) AED'000 |
|---|---|---|---|
| *Due from related parties* | | | |
| Related parties due to common directorship | *Affiliates* | **6,969** | **5,232** |
| Key management personnel | *Key management personnel* | **511** | **336** |
| Remuneration of the Directors (note 13) | *Directors* | **850** | **7,015** |

## 12 Related party transactions and balances (continued)

### Related party transactions

The Group, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

| | | Three-month period ended 31 March | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **(Unaudited)** | (Unaudited) |
| | | **AED'000** | AED'000 |
| Insurance revenue to Directors' affiliates | *Affiliates* | **1,831** | 2,188 |
| Net claims paid to Directors' affiliates | *Directors* | **6** | 4 |
| Board of directors' remuneration | *Directors* | **850** | 1,719 |
| Remuneration of key management personnel | *Key management personnel* | **7,817** | 7,153 |

The remuneration of the Board of Directors is subject to approval by the shareholders and as per limits set by the UAE Federal Law No. (32) of 2021, concerning Commercial Companies.

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

## 13 Accruals and other payables

| | **31 March 2023** | 31 December 2022 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **AED'000** | AED'000 |
| Dividends payable | **15,566** | 15,566 |
| Directors' remuneration (note 12) | **850** | 7,015 |
| Other payables | **44,585** | 44,599 |
| | **61,001** | 67,180 |

**Notes to the condensed interim consolidated financial information (continued)**
**For the three-month period ended 31 March 2023**

## 14 Income from investments, net

| | Three-month period ended 31 March | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | **AED'000** | AED'000 |
| Dividend income | **10,286** | 2,633 |
| Interest income | **4,100** | 2,552 |
| Net income from investment properties | **579** | 673 |
| Net fair value gains on investments carried at fair value through profit or loss | **70** | - |
| Other losses | **(10)** | (163) |
| | **15,025** | 5,695 |

## 15 Profit for the period

Profit for the period is arrived after charging the following:

| | Three-months period ended 31 March | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| | **AED'000** | AED'000 |
| Staff costs | **16,638** | 15,889 |
| Depreciation and amortisation | **3,379** | 3,417 |

## 16 Basic and diluted earnings per share

Basic earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

| | Three-month period ended 31 March (Unaudited) | |
|---|---|---|
| | **2023** | 2022 |
| Profit for the period (AED'000) | **11,070** | 6,040 |
| Weighted average number of ordinary shares outstanding during the period | **15,000,000** | 15,000,000 |
| Basic and diluted earnings per share (AED) | **0.74** | 0.40 |

## 17 Segment reporting

### 17.1 Segment revenue and results

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business - incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments - incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

## 17 Segment reporting (continued)

### 17.1 Segment revenue and results (continued)

Information regarding the Group's reportable segments is presented below:

| | **Three-month period ended 31 March (Unaudited)** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **Insurance AED'000** | **Investments AED'000** | **Total AED'000** | Insurance AED'000 | Investments AED'000 | Total AED'000 |
| Segment revenue | **354,008** | **15,025** | **369,033** | 289,422 | 5,695 | 295,117 |
| Segment result | **(8,557)** | **15,025** | **6,468** | (4,425) | 5,695 | 1,270 |
| Unallocated | **-** | **-** | **4,602** | - | - | 4,770 |
| Profit for the period | | | **11,070** | | | 6,040 |

### 17.2 Segment assets and liabilities

| | **As at 31 March 2023 (Unaudited)** | | | Restated As at 31 December 2022 (Unaudited) | | |
|---|---|---|---|---|---|---|
| | **Insurance** | **Investments** | **Total** | Insurance | Investments | Total |
| | **AED'000** | **AED'000** | **AED'000** | AED'000 | AED'000 | AED'000 |
| Segment assets | **1,894,393** | **676,628** | **2,571,021** | 1,638,873 | 727,539 | 2,366,412 |
| Unallocated assets | **-** | **-** | **59,438** | - | - | 88,347 |
| Total assets | | | **2,630,459** | | | 2,454,759 |
| Segment liabilities | **1,337,032** | **-** | **1,337,032** | 1,130,333 | - | 1,130,333 |
| Unallocated liabilities | **-** | **-** | **16,451** | - | - | 12,865 |
| Total liabilities | | | **1,353,483** | | | 1,143,198 |

## 18 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of statutory deposits, investments carried at fair value through other comprehensive income, insurance receivables, deposits, bank balances and cash, and certain other assets. Financial liabilities consist of insurance payables, and certain other liabilities.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March 2023 and 31 December 2022:

| | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
|---|---|---|---|---|
| **31 March 2023 (Unaudited)** | | | | |
| Investments at fair value through other comprehensive income | **492,790** | **-** | **2,579** | **495,369** |
| Investments at fair value through statement of profit or loss | **1,464** | **-** | **-** | **1,464** |
| | **494,254** | **-** | **2,579** | **496,833** |
| 31 December 2022 (Audited) | | | | |
| Investments at fair value through other comprehensive income | **463,516** | **-** | **2,579** | **466,095** |

Fair values of Level 1 securities have been determined by reference to quoted prices at the reporting date.

Management considers that the fair values of financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the condensed interim consolidated financial information.

During the period, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

## 18 Fair value of financial instruments (continued)

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

| | **Fair value as at** | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets** | **31 March 2023 (Unaudited) AED'000** | 31 December 2022 (Audited) AED'000 | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable input** | **Relationship of unobservable inputs to fair value** |
| Quoted equity investments – FVTOCI | **340,130** | 311,555 | Level 1 | Quoted bid prices in an active market. | None | N/A |
| Quoted debts instruments – FVTOCI | **152,660** | 151,961 | Level 1 | Quoted bid prices in an active market. | None | N/A |
| Unquoted equity investments – FVTOCI | **2,579** | 2,579 | Level 3 | Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies. | Net assets value | Higher the net assets value of the investees, higher the fair value |
| Quoted equity investments – FVTPL | **1,464** | - | Level 1 | Quoted bid prices in an active market. | None | N/A |

## 19 Contingencies and commitments

The Group's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 15.1 million (31 December 2022: AED 14.60 million).

The Group is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, the management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 5.4 million (31 December 2022: AED 6.05 million) representing amounts expected to result in a probable outflow of economic resources.

## 20 Capital management

### Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group 's shareholders from events that could hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

### Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position. The capital management objectives are:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Group are also subject to regulatory requirements within the United Arab Emirates where it operates.

### Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity funds provided by shareholders.

The Group has had no significant changes in its policies and processes relating to its capital structure during the previous years.

No changes were made in the objectives, policies or processes during the three-month period ended 31 March 2023 and 31 December 2022. Capital comprises share capital, legal reserve, technical reserves, general reserve, reinsurance default reserve, investment revaluation reserve and retained earnings, and is measured at AED 1,277 million as at 31 March 2023 (unaudited – restated) (2022: AED 1,312 million).

## 20 Capital management (continued)

### Approach to capital management (continued)

On 28 December 2014, the Central Bank of the United Arab Emirates ("CBUAE") (formerly, UAE Insurance Authority ("IA")) issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Group is subject to local insurance solvency regulations. The Group has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. The Central Bank of UAE allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 (as amended) Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin must be maintained at all times throughout the year.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Group and the total capital held to meet these required Solvency Margins.

| | **31 March 2023 (Unaudited) AED'000** | 31 December 2022 AED'000 |
|---|---|---|
| Minimum Capital Requirement (MCR) | **100,000** | 100,000 |
| Solvency Capital Requirement (SCR) | **301,644** | 192,421 |
| Minimum Guarantee Fund (MGF) | **100,548** | 64,140 |
| *Own Funds* | | |
| Basic Own Funds | **956,473** | 954,696 |
| MCR Solvency Margin surplus | **856,473** | 854,696 |
| SCR Solvency Margin surplus | **654,829** | 762,275 |
| MGF Solvency Margin surplus | **855,925** | 890,555 |

## 20 Capital management (continued)

### Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarized in the below table:

Regulation

- Basis of Investing the Rights of the Policy Holders
- Solvency Margin and Minimum Guarantee Fund
- Basis of calculating the technical reserves
- Determining the Group's assets that meet the accrued insurance liabilities
- Records which the Group shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
- Principles of organising accounting books and records of the Group, agents and brokers and determining data to be maintained in these books and records
- Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and condensed interim consolidated financial information.

## 21 Subsequent events

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the period ended 31 March 2023.

## 22 Approval of condensed interim consolidated financial information

The condensed interim consolidated financial information was approved and authorised for issue by the Board of Directors on 14 June 2023.