

Al Dhafra Insurance Company P.S.C.

Condensed Interim Financial Information (Unaudited)
For the three-month period ended 31 March 2023

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information (Un-audited)
For the three-months period ended 31 March 2023

Table of contents

	Page
Report on review of the condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of profit or loss	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 34

**Review report on the condensed interim financial statements
To the Board of Directors of Al Dhafra Insurance Company P.S.C.****Introduction**


We have reviewed the accompanying condensed interim statement of financial position of Al Dhafra Insurance Company P.S.C. (the “Company”) as at 31 March 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and the condensed interim statement of cash flows for the three-month period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Accounting Standard 34 (“IAS 34”) “*Interim Financial Reporting*” as issued by the International Accounting Standard Board (IASB). Our responsibility is to express a conclusion on the condensed interim 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 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 financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

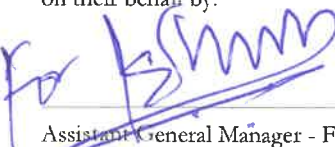
**GRANT THORNTON****Dr. Osama El-Bakry****Registration No: 935****Abu Dhabi, United Arab Emirates****Date: 15 May 2023**

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

Condensed interim statement of financial position
As at 31 March 2023


		(Unaudited) 31 March 2023 AED	Restated (Unaudited) 31 December 2022 AED	Restated (Unaudited) 31 December 2021 AED
	Notes			
ASSETS				
Insurance contract assets	8	1,582,124	3,925,652	-
Reinsurance contract assets	8	379,131,216	379,661,931	336,764,479
Property and equipment		910,179	831,555	1,270,692
Intangible assets		3,138,580	3,232,583	3,287,444
Right-of-use assets	17	6,463,714	6,698,531	4,305,866
Investment properties		70,012,225	70,012,225	65,812,225
Statutory deposit	4	9,980,000	9,980,000	9,980,000
Investments carried at fair value through other comprehensive income	5	230,312,400	240,956,595	245,695,433
Investments carried at fair value through profit and loss	6	110,269,543	116,532,321	103,340,654
Prepayments and other receivables	7	10,542,182	3,374,984	4,642,839
Deposits	9	156,950,231	176,988,081	165,330,125
Cash and cash equivalents	9	22,275,236	24,543,655	49,090,158
TOTAL ASSETS		1,001,567,630	1,036,738,113	989,519,915
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		100,000,000	100,000,000	100,000,000
Legal reserve		50,000,000	50,000,000	50,000,000
General reserve		145,000,000	145,000,000	145,000,000
Investment revaluation reserve		39,059,040	49,703,235	54,442,073
Reinsurance reserve		3,820,032	3,488,946	2,260,256
Retained earnings		88,187,724	95,201,401	108,468,245
TOTAL EQUITY		426,066,796	443,393,582	460,170,574
LIABILITIES				
Insurance contract liabilities	8	517,208,332	538,678,785	506,362,443
Reinsurance contract liabilities	8	17,226,626	18,575,322	10,515,307
Provision for employees' end of service benefits		7,322,284	7,293,748	8,456,579
Lease liabilities	17	6,364,605	6,538,945	4,015,012
Other payables	11	27,378,987	22,257,731	-
TOTAL LIABILITIES		575,500,834	593,344,531	529,349,341
TOTAL EQUITY AND LIABILITIES		1,001,567,630	1,036,738,113	989,519,915

This condensed interim financial information was approved by the Board of Directors on 11 May 2023 and signed on their behalf by:


Assistant General Manager - Finance


General Manager




Board member

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

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

		Three-month period ended 31 March 2023	Three-month period ended 31 March 2022 <i>Restated</i>
		(Unaudited) AED	(Unaudited) AED
	Notes		
Insurance revenue		80,577,150	77,915,876
Insurance service expenses		(60,448,150)	(66,675,652)
Insurance service result before reinsurance contracts held		20,129,000	11,240,224
Net expenses from reinsurance contracts held		(12,209,731)	(1,194,077)
Insurance service result		7,919,269	10,046,147
Income from investment properties	14	529,031	481,904
Income from investments	14	14,657,377	14,743,550
Total investment income		15,186,408	15,225,454
Insurance finance income/ (expenses) for insurance contracts issued		2,439,792	(5,387)
Reinsurance finance income for reinsurance contracts held		40,607	111,414
Net insurance and investment results		25,586,076	25,377,628
Other income relating to underwriting		6,345,485	1,780,724
General and administrative expenses relating to underwriting		(635,785)	(620,744)
General and administrative expenses		(7,868,575)	(8,067,366)
Other finance costs		(109,792)	(38,351)
PROFIT FOR THE PERIOD		23,317,409	18,431,891
Basic and diluted earnings per share	13	0.23	0.18

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

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

		Three-month period ended 31 March 2023	Three-month period ended 31 March 2022
		(Unaudited)	<i>Restated</i> (Unaudited)
	Note	AED	AED
Profit for the period		23,317,409	18,431,891
Other comprehensive income			
<i>Items that will not be reclassified to statement of income:</i>		-	-
Change in fair value relating to investments carried at fair value through other comprehensive income	5	<u>(10,644,195)</u>	<u>42,127,745</u>
Other comprehensive (loss)/income for the period		(10,644,195)	42,127,745
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>12,673,214</u>	<u>60,559,636</u>

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

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

	Share Capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Reinsurance reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2022, as previously reported	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256	111,398,149	463,100,478
Adjustment on initial application of IFRS 17	-	-	-	-	-	(2,929,904)	(2,929,904)
Restated balance at 1 January 2022	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256	108,468,245	460,170,574
Profit for the period (restated)	-	-	-	-	-	18,431,891	18,431,891
Other comprehensive income for the period	-	-	-	42,127,745	-	-	42,127,745
Balance as at 31 March 2022 (Unaudited)	100,000,000	50,000,000	145,000,000	96,569,818	2,260,256	126,900,136	520,730,210
Balance as at 1 January 2023 (Unaudited)	100,000,000	50,000,000	145,000,000	49,703,235	3,488,946	102,809,200	451,001,381
Adjustment on initial application of IFRS 17	-	-	-	-	-	(7,607,799)	(7,607,799)
Restated balance as at 1 January 2023	100,000,000	50,000,000	145,000,000	49,703,235	3,488,946	95,201,401	443,393,582
Profit for the period	-	-	-	-	-	23,317,409	23,317,409
Other comprehensive loss for the period	-	-	-	(10,644,195)	-	-	(10,644,195)
Transfer to reinsurance reserve	-	-	-	-	331,086	(331,086)	-
Dividends declared and paid	-	-	-	-	-	(30,000,000)	(30,000,000)
Balance as at 31 March 2023 (Unaudited)	100,000,000	50,000,000	145,000,000	39,059,040	3,820,032	88,187,724	426,066,796

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

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

		Three-month period ended 31 March 2023 (Unaudited) AED	Three-month period ended 31 March 2022 <i>Restated</i> (Unaudited) AED
	Notes		
OPERATING ACTIVITIES			
Profit for the period		23,317,409	18,431,891
Adjustments for:			
Change in fair value of investments carried at fair value through profit or loss	6, 14	(2,743,325)	(4,597,029)
Gain on disposal of investments carried at fair value through profit or loss	14	(2,159,451)	(238,094)
Change in FV of investment properties		-	(2,100,000)
Provision for employees' end of service benefits		128,453	139,089
Depreciation of property and equipment and right-of-use asset		354,206	471,686
Amortisation of intangible assets		227,984	220,232
Finance cost		109,792	38,351
Loss on termination of lease contract		-	37,164
Dividend income		(8,110,287)	(8,867,714)
Interest income	14	(1,686,355)	(1,045,449)
		<u>9,438,426</u>	<u>2,490,127</u>
Working capital changes:			
Prepayments and other receivables		(7,252,238)	(6,633,226)
Changes in insurance and reinsurance contract assets/liabilities		(14,864,070)	348,034
		<u>(12,677,882)</u>	<u>(3,795,065)</u>
Cash used in operations		(12,677,882)	(3,795,065)
Employees' end of service benefits paid		(99,917)	(781,972)
Net cash used in operating activities		<u>(12,777,799)</u>	<u>(4,577,037)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(198,014)	(109,361)
Purchase of intangible assets		(133,982)	(302,050)
Purchase of investments at FVTPL		(652,394)	(26,837,175)
Proceeds from disposal of FVTPL investments		11,817,915	4,101,387
Movement in Term deposits		20,037,850	27,378,517
Dividends received		8,110,287	8,867,714
Interest received		1,811,845	999,759
Net cash from investing activities		<u>40,793,507</u>	<u>14,098,791</u>
FINANCING ACTIVITIES			
Dividends paid		(30,000,000)	-
Payment of lease liabilities		(284,132)	(286,869)
Net cash used in financing activities		<u>(30,284,132)</u>	<u>(286,869)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2,268,424)</u>	<u>9,234,885</u>
Cash and cash equivalents at the beginning of the period		24,543,655	49,090,158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	<u>22,275,231</u>	<u>58,325,043</u>

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

Al Dhafra Insurance Company P.S.C.

Condensed Interim Financial Information

Notes to the condensed interim financial information

For the three-month period ended 31 March 2023

1 Legal status and principal activities

Al Dhafra Insurance Company P.S.C. (the “Company”), is a public shareholding company incorporated in Abu Dhabi by an Amiri Decree No. 8 of 1979.

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 Company is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 as at the date of these financial statements.

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 Company will be subject to taxation commencing 01 January 2024. Based on the above, the Company 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 these interim / financial statements, the Company will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

2.1 Statement of compliance

The condensed interim financial information is prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The condensed interim financial information does not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual 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 financial information has been prepared on the historical cost basis except for the investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment properties.

The condensed interim financial information is presented in United Arab Emirates Dirhams (“AED”), being the functional and presentation currency of the Company.

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

Notes to the condensed interim financial information
For the three-month period ended 31 March 2023

3 Significant accounting policies

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2022, except for application of new standards effective as of 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 Company except for the adoption of IFRS 17 Insurance contracts. The requirements of IFRS 17 have brought a significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparatives amounts in opening balances.

The Company 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 Company's estimates of the present value of future cash flows that are expected to arise as the Company 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 Company 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.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company 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.

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

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.

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 General Model measurement ("GMM"). In terms of computations, the major simplification relates to Liability for Remaining Coverage ("LRC").

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

3 Significant accounting policies (Continued)

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

IFRS 17 Insurance Contracts (continued)

Premium Allocation Approach (“PAA”) (Continued)

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 Company’s short-term business is eligible for this simplification and the Company 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.

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

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

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”)

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.

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. Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC will be applicable.

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.

Company’s long-term business is measured using GMM. 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).

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

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)

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.

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

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 Company to make various accounting policy choices. The key accounting policy choices made by the Company are described below.

Accounting Policy	Company
Level of Aggregation – Adopting more granular profitability classification	Company has adopted two classifications (i.e. (i) Contracts that are onerous at inception; and (ii) All other contracts.
Level of Aggregation – Adopting more granular cohort classification	Company is using annual cohorts and not use shorter cohorts.
PAA – Deferring insurance acquisition cashflows	Under PAA, in some circumstances, it is allowed to recognise insurance acquisition cashflows as expense when incurred however, the Company does not utilise this choice instead it defers all insurance acquisition cashflows.
PAA – Discounting LIC	Under PAA, in some circumstances, it is allowed not to discount the LIC, but Company 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. Company aims to reflect entire finance expense in the P&L and plans not split between OCI and P&L.
Transition Approach	The Company has adopted Modified Retrospective Approach.

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.

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

3 Significant accounting policies (Continued)

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

IFRS 17 Insurance Contracts (Continued)

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.

Judgements and estimates

The preparation of this condensed interim 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 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 Company applies the PAA to simplify the measurement of short-term insurance contracts and applies GMM for long term contracts, which do not meet the PAA Eligibility criteria. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company 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 Company capitalises the acquisition cash flows. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

For all product lines, the Company 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.

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.

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

3 Significant accounting policies (Continued)

Judgements and estimates (Continued)

The main assumption underlying these techniques is that a Company'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.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus credit default swap rate, plus an illiquidity premium. In the absence of deep and illiquid bond market and also since the AED is pegged to the US Dollar, the Company uses a risk-free rate as determined by reference to the yields of highly liquid AAA-rated USA sovereign securities adjusted for the credit default swap rate of UAE. The illiquidity premium is determined by reference to observable market rates.

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

Financial period	1 Year	5 Year	10 Year	20 year	30 Year
31 March 2023	5%	5%	5%	5%	5%
31 December 2022	5%	5%	5%	5%	5%
31 December 2021	3%	3%	3%	3%	3%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company 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 Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile. That is, the Company 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 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company 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 Company'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.

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

4 Statutory deposit

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Statutory deposit	10,000,000	10,000,000
Less: Allowance for expected credit losses	(20,000)	(20,000)
	<u>9,980,000</u>	<u>9,980,000</u>

5 Investments carried at fair value through other comprehensive income

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Quoted UAE equity securities	<u>230,312,400</u>	<u>240,956,595</u>

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

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Fair value at beginning of period / year	240,956,595	245,695,433
Additions	-	-
Disposals	-	-
Change in fair value	(10,644,195)	(4,738,838)
Fair value at end of the period / year	<u>230,312,400</u>	<u>240,956,595</u>

6 Investments carried at fair value through profit or loss

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Managed funds (i)	69,080,075	65,384,332
Quoted UAE equity securities	30,412,946	40,399,926
Quoted debt securities (ii)	4,212,095	4,183,636
Unquoted equity security	6,564,427	6,564,427
	<u>110,269,543</u>	<u>116,532,321</u>

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

6 Investments carried at fair value through profit or loss (continued)

- (i) It represents investment in equity and credit funds.
(ii) Quoted debts securities carry interest at a rate ranging from 4.23% to 7.00% (2022: from 4.23% to 7.00%)

The movement in investments at fair value through profit or loss is as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Fair value at beginning of period / year	116,532,321	103,340,654
Additions	652,394	47,342,124
Disposals	(9,658,497)	(33,970,729)
Change in fair value (note 14)	2,743,325	(179,728)
Fair value at end of the period / year	110,269,543	116,532,321

7 Prepayments and other receivables

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Prepayments	1,597,714	1,117,184
Interest receivables	2,288,680	2,414,170
Other receivables	9,012,149	2,240,418
Reinsurance default risk	(2,356,361)	(2,396,788)
Prepayments and other receivables	10,542,182	3,374,984

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	AED	AED	AED	AED	AED	AED
Insurance contracts issued						
Life and Medical	-	(42,184,608)	(42,184,608)	95	(48,222,790)	(48,222,695)
General and Motor	1,582,124	(437,047,737)	(435,465,613)	3,925,557	(436,266,099)	(435,465,613)
Insurance liabilities	-	(37,975,987)	(37,975,987)	-	(54,189,896)	(54,189,896)
Total insurance contracts issued	1,582,124	(517,208,332)	(515,626,208)	3,925,652	(538,678,785)	(534,753,133)
Reinsurance contracts held						
Life and Medical	24,700,094	-	24,700,094	29,379,407	-	29,379,407
General and Motor	354,431,122	(2,385,156)	352,045,966	350,282,524	(4,034,140)	354,316,664
Reinsurance liabilities	-	(14,841,470)	(14,841,470)	-	(14,541,182)	14,541,182
Total reinsurance contracts held	379,131,216	(17,226,626)	361,904,590	379,661,931	(18,575,322)	398,237,253

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (continued)

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

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

2023	Liabilities for remaining coverage		Liabilities for incurred claims		Total Unaudited AED
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED	
Insurance contract liabilities as at 1 January	2,518,108	-	150,047,556	14,701,156	167,266,820
Insurance revenue	(10,100,811)	-	-	-	(10,100,811)
Insurance service expenses	8,984,755	-	(20,153,193)	491,789	(10,676,650)
Incurred claims and other expenses	6,032,321	-	-	-	6,032,321
Losses on onerous contracts and reversals	2,952,434	-	-	-	2,952,434
Changes to liabilities for incurred claims	-	-	(20,153,193)	491,789	(19,661,404)
Insurance service result	(1,116,056)	-	(20,153,193)	491,789	20,777,460
Insurance finance expense	-	-	(5,734,160)	(893,099)	(6,627,259)
Total changes in the statement of comprehensive income	(1,116,056)	-	(25,887,353)	(401,310)	(27,404,719)
Cash flows					
Premiums received	75,758,871	-	-	-	75,758,871
Claims and other expenses paid	(6,032,321)	-	-	-	(6,032,321)
Insurance acquisition cash flows	(9,197,538)	-	-	-	(9,197,538)
Total cash flows	60,529,012	-	-	-	60,529,012
Net insurance contract liabilities as at 31 March	61,931,063	-	124,160,203	14,299,846	200,391,112

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

2022 <i>(restated)</i>	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED
	Excluding loss component	Loss component	Estimates of the present value of future	Risk adjustment	
	AED	AED	AED	AED	
Insurance contract liabilities as at 1 January	34,316,823	-	204,462,372	14,305,296	253,084,490
Insurance revenue	(36,323,982)	-	-	-	(36,323,982)
Insurance service expenses	69,583,219	-	(55,295,757)	591,899	14,879,361
Incurred claims and other expenses	69,583,219	-	-	-	69,583,219
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred	-	-	(55,295,757)	591,899	(54,703,858)
Insurance service result	33,259,237	-	(55,295,757)	591,899	(21,444,622)
Insurance finance income	-	-	880,942	(196,039)	684,903
Total changes in the statement of comprehensive income	33,259,237	-	(54,414,815)	395,860	(20,759,718)
<i>Cash flows</i>					
Premiums received	5,370,224	-	-	-	5,370,224
Claims and other expenses paid	(69,583,219)	-	-	-	(69,583,219)
Insurance acquisition cash flows	(844,957)	-	-	-	(844,957)
Total cash flows	(65,057,952)	-	-	-	(65,057,952)
Net insurance contract liabilities as at 31 December	2,518,108	-	150,047,556	14,701,156	167,266,820

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

Analysis by measurement component – Contracts not measured under the PAA

2023	Estimates of present value of future cash flows Unaudited AED	Risk adjustment for non-financial risk Unaudited AED	CSM Contracts under modified retrospective transition approach Unaudited AED	Other contracts Unaudited AED	Insurance liabilities Unaudited AED	Total Unaudited AED
Insurance contract liabilities as at 1 January	282,923,915	12,398,554	17,973,927	-	54,189,896	367,486,292
Changes that relate to current services						
CSM recognised for services provided	-	-	(779,540)	-	-	(779,540)
Change in risk adjustment for non-financial risk for risk expired	-	4,215,361	-	-	-	4,215,361
Changes that relate to future services						
Contracts initially recognised in the year	(3,931,925)	324,319	(10,061,589)	-	-	(13,669,195)
Changes in recoveries of losses onerous underlying contracts that adjust the CSM	(9,956,214)	-	9,956,214	-	-	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	-	-	(9,955,365)	-	-	(9,955,365)
Changes that relate to past services					-	
Adjustments to liabilities for incurred claims	45,541,058	-	-	-	(16,213,909)	29,327,149
Insurance service result	31,652,919	4,539,680	(10,840,280)	-	(16,213,909)	9,138,410
Net finance expenses from insurance contracts	(61,389,605)	-	-	-	-	(61,389,605)
Total changes in the statement of profit or loss and OCI	(29,736,686)	4,539,680	(10,840,280)	-	(16,213,909)	(52,251,195)
Insurance contract liabilities as at 31 March	253,187,229	16,938,234	7,133,647	-	37,975,987	315,235,097

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

Analysis by measurement component – Contracts not measured under the PAA (continued)

	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM Contracts under modified retrospective transition approach	Other contracts	Insurance liabilities	Total
	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED	Unaudited AED
2022						
Insurance contract liabilities as at 1 January	170,661,890	5,075,142	8,668,211	-	68,872,710	253,277,953
Changes that relate to current services						
CSM recognised for services provided	-	-	(14,810)	-	-	(14,810)
Change in risk adjustment for non-financial risk for risk expired	-	(5,046,043)	-	-	-	(5,046,043)
Changes that relate to future services						
Contracts initially recognised in the year	91,659,349	12,369,455	(572,925)	-	-	103,455,879
Changes in recoveries of losses onerous underlying contracts that adjust the CSM	14,955,129	-	(14,955,129)	-	-	-
Changes in estimates that result in losses and reversals of losses on onerous	-	-	24,848,600	-	-	24,848,600
Changes that relate to past						
Adjustments to liabilities for incurred claims	86,621,239	-	-	-	(14,682,814)	71,938,425
Insurance service result	193,235,717	7,323,412	9,305,736	-	(14,682,814)	195,182,051
Net finance expenses from insurance contracts	(80,973,692)	-	-	-	-	(80,973,692)
Total changes in the statement of profit or loss and OCI	112,262,025	7,323,412	9,305,736	-	(14,682,814)	114,208,359
Insurance contract liabilities as at 31 March	282,923,915	12,398,554	17,973,948	-	54,189,896	367,486,313

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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

2023	Assets for remaining coverage		Amounts recoverable on incurred claims		Total Unaudited AED
	Excluding loss recovery component Unaudited AED	Loss component Unaudited AED	Estimates of the present value of future cash flows Unaudited AED	Risk adjustment Unaudited AED	
Reinsurance contract assets as at 1 January	1,811,191	-	127,236,223	13,191,784	142,239,199
Reinsurance contract liabilities as at 1 January	(236,255)	-	(4,717)	(285)	(241,258)
Net reinsurance contract assets/(liabilities)	1,574,936	-	127,231,506	13,191,499	141,997,941
An allocation of reinsurance premiums	(12,045,043)	-	-	-	(12,045,043)
Amounts recoverable from reinsurers for incurred claims	7,729,148	-	(6,226,815)	2,132,434	3,634,767
Amounts recoverable for incurred claims and other expenses	5,566,074	-	-	-	5,566,074
Loss-recovery on onerous underlying contracts and adjustments	2,163,074	-	-	-	2,163,074
Changes to amounts recoverable for incurred claims	-	-	(6,226,815)	2,132,434	(4,094,381)
Net income or expense from reinsurance contracts held	(4,315,895)	-	(6,226,815)	2,132,434	(8,410,277)
Reinsurance finance income	-	-	(5,983,115)	(973,756)	(6,956,871)
Total changes in the statement of comprehensive income	(4,315,895)	-	(12,209,930)	1,158,678	(15,367,147)
<i>Cash flows</i>					
Premiums paid	60,092,591	-	-	-	60,092,591
Amount received	(13,319,208)	-	-	-	(13,319,208)
Total cash flows	46,773,383	-	-	-	46,773,383
Net reinsurance contract assets/(liabilities) as at 31 March	44,032,424	-	115,021,576	(14,350,028)	(173,404,175)
Reinsurance contract assets as at 31 March	44,131,714	-	116,414,718	14,413,028	174,959,459
Reinsurance contract liabilities as at 31 March	(99,290)	-	(1,393,142)	(62,851)	(1,555,283)
Net reinsurance contract assets/(liabilities) as at 31 March	44,032,424	-	115,021,575	14,350,028	173,404,175

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

2022	Assets for remaining coverage		Amounts recoverable on incurred claims		Total Unaudited AED
	Excluding loss recovery component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	Unaudited	Unaudited	Unaudited	Unaudited	
	AED	AED	AED	AED	
Reinsurance contract assets as at 1 January	26,873,025	-	176,248,697	12,738,112	215,859,834
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net reinsurance contract assets/(liabilities)	26,873,025	-	176,248,697	12,738,112	215,859,834
An allocation of reinsurance premiums	(26,987,119)	-	-	-	(26,987,119)
Amounts recoverable from reinsurers for	58,609,579	-	(50,778,098)	572,097	8,403,578
Amounts recoverable for incurred claims and other expenses	58,609,579	-	-	-	58,609,579
Loss-recovery on onerous underlying	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(50,778,098)	572,097	(50,206,001)
Net income or expense from reinsurance contracts held	31,622,459	-	(50,778,098)	572,097	(18,583,541)
Reinsurance finance income	-	-	1,760,906	(118,711)	1,642,196
Total changes in the statement of comprehensive income	31,622,460	-	(49,017,192)	453,386	(16,941,346)
<i>Cash flows</i>					
Premiums paid	2,559,621	-	-	-	2,559,621
Amount received	(59,480,169)	-	-	-	(59,480,169)
Total cash flows	(56,920,548)	-	-	-	(56,920,548)
Net reinsurance contract assets/(liabilities) as at 31 December	1,574,936	-	127,231,506	13,191,499	141,997,941
Reinsurance contract assets as at 31 December	1,811,191	-	127,236,223	13,191,784	142,239,199
Reinsurance contract liabilities as at 31 December	(236,255)	-	(4,717)	(285)	(241,258)
Net reinsurance contract assets/(liabilities) as at 31 December	1,574,936	-	127,231,506	13,191,499	141,997,941

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

Analysis by measurement component – Contracts not measured under the PAA

2023	Estimates of present value of future cash flows Unaudited AED	Risk adjustment for non-financial risk Unaudited AED	CSM		Reinsurance liabilities Unaudited AED	Total Unaudited AED
			Contracts under modified retrospective transition approach Unaudited AED	Other contracts Unaudited AED		
Reinsurance contract assets as at 1 January	212,136,258	9,106,491	16,179,964	-	-	237,422,733
Reinsurance contract liabilities as at 1 January	(3,769,069)	(23,813)	-	-	(14,541,182)	(18,334,064)
Net reinsurance contract assets/(liabilities)	208,367,189	9,082,678	16,179,984	-	(14,541,182)	219,088,669
Changes that relate to current services						
CSM recognised for services provided	-	-	(1,469,059)	-	-	(1,469,059)
Change in risk adjustment for non-financial risk for risk expired	-	2,772,471	-	-	-	2,772,471
Experience adjustments	-	-	-	-	-	-
Changes that relate to future services						
Contracts initially recognised in the year	(2,463,097)	303,495	(9,408,861)	-	-	(11,568,463)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	(7,247,825)	-	7,258,407	-	-	10,582
Changes in estimates that adjust the CSM	-	-	-	-	-	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	(7,247,825)	-	-	(7,247,825)
Changes that relate to past services						
Adjustments to assets for incurred claims	30,197,168	-	-	-	(300,288)	29,896,880
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-
Net expenses from reinsurance	20,486,246	3,075,966	(10,867,338)	-	(300,288)	12,394,586
Net finance income from reinsurance	(42,982,840)	-	-	-	-	(42,982,840)
Total changes in the statement of profit or loss and OCI	(22,496,594)	3,075,966	(10,867,338)	-	(300,288)	(30,588,254)
Reinsurance contract assets as at 31 March	186,700,411	12,158,701	5,312,646	-	-	204,171,757
Reinsurance contract liabilities as at 31 March	(829,816)	(57)	-	-	(14,841,470)	(15,671,343)
Net reinsurance contract assets/(liabilities) as at 31 March	185,870,595	12,158,644	5,312,646	-	(14,841,470)	188,500,415

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (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)

Analysis by measurement component – Contracts not measured under the PAA (continued)

	Estimates of present value of future cash flows Unaudited AED	Risk adjustment for non-financial risk Unaudited AED	CSM Contracts under modified retrospective transition approach Unaudited AED	Other contracts Unaudited AED	Reinsurance liabilities Unaudited AED	Total Unaudited AED
2022						
Reinsurance contract assets as at 1 January	111,219,542	3,681,273	6,003,829	-	-	120,904,644
Reinsurance contract liabilities as at 1 January	-	-	-	-	(10,515,307)	(10,515,307)
Net reinsurance contract	111,219,542	3,681,273	6,003,829	-	(10,515,307)	110,389,337
Changes that relate to current services						
CSM recognised for services provided	-	-	(11,602)	-	-	(11,602)
Change in risk adjustment for non-financial risk for risk expired	-	(3,658,952)	-	-	-	(3,658,952)
Experience adjustments	-	-	-	-	-	-
Changes that relate to future services	-	-	-	-	-	-
Contracts initially recognised in the	56,101,894	9,060,357	3,086,659	-	-	68,248,910
Changes in recoveries of losses on onerous	10,937,719	-	(10,937,719)	-	-	-
Changes in estimates that adjust the	-	-	-	-	-	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	18,038,817	-	-	18,038,817
Changes that relate to past services						
Adjustments to assets for incurred	75,130,609	-	-	-	(4,025,875)	71,104,734
Effect of changes in non-performance risk	-	-	-	-	-	-
Net expenses from reinsurance	142,170,222	5,401,405	10,176,155	-	(4,025,875)	153,721,907
Net finance income from reinsurance contracts	(45,022,575)	-	-	-	-	(45,022,575)
Total changes in the statement of profit or loss and OCI	97,147,647	5,401,405	10,176,155	-	(4,025,875)	108,699,332
Reinsurance contract assets as at 31 March	212,136,258	9,106,491	16,179,984	-	-	237,422,733
Reinsurance contract liabilities as at 31 March	(3,769,069)	(23,813)	-	-	(14,541,182)	(18,334,064)
Net reinsurance contract assets/(liabilities) as at 31 March	208,367,189	9,082,678	16,179,984	-	14,541,182	219,088,669

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

8 Insurance and reinsurance contracts (continued)

Expected recognition of the contractual service margin – An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table (number of years until expected to be recognised)

	1 year AED	2 year AED	3 year AED	4 year AED	5 year AED	Total AED
31 March 2023						
Total CSM for insurance contracts issued	3,057,277	3,363,005	356,682	214,009	142,673	7,133,646
Total CSM for reinsurance contracts held	(2,358,954)	(2,422,427)	(265,632)	(159,379)	(106,253)	(5,312,646)
	698,323	940,577	91,050	54,630	36,420	1,821,000
31 December 2022 (restated)						
Total CSM for insurance contracts issued	7,771,935	8,764,097	629,088	449,349	359,479	17,973,948
Total CSM for reinsurance contracts held	(6,996,225)	(7,889,360)	(566,299)	(404,500)	(323,600)	(16,179,983)
	775,711	874,737	62,789	44,849	35,879	1,793,695

Reconciliation of the measurement components of insurance and reinsurance contract balances measured under both PAA and Non-PAA as at:

31 March 2023	PAA AED	Non-PAA AED	Total AED
Insurance contract assets	637,213	944,911	1,582,124
Insurance contract liabilities	(201,028,324)	(316,180,008)	(517,208,332)
Reinsurance contract assets	174,959,459	204,171,757	379,131,216
Reinsurance contract liabilities	(1,555,283)	(15,671,343)	(17,226,626)
	(26,986,935)	(126,734,683)	(153,721,618)
31 December 2022 (restated)	PAA AED	Non-PAA AED	Total AED
Insurance contract assets	-	3,925,653	3,925,653
Insurance contract liabilities	(167,266,820)	(371,411,966)	(538,678,786)
Reinsurance contract assets	142,239,199	237,422,733	379,661,932
Reinsurance contract liabilities	(241,258)	(18,334,064)	(18,575,322)
	(25,268,879)	(148,397,644)	(173,666,523)

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

9 Cash and cash equivalents

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Cash on hand	278,106	286,850
Current accounts	21,997,130	24,256,805
Term deposits*	<u>156,950,231</u>	<u>176,988,081</u>
Bank balances and cash	179,225,467	201,531,736
Less: Term deposits with an original maturity of more than three months	<u>(156,950,231)</u>	<u>(176,988,081)</u>
Cash and cash equivalents	<u>22,275,236</u>	<u>24,543,655</u>

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 March 2023 (31 December 2022: AED 392,227).

The interest rate on term deposits and current accounts with banks ranges between 0.46% and 5.25% (31 December 2022: 2.0% and 4.85%) per annum. All bank balances are held in local banks in the United Arab Emirates

10 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Due from policyholders (note 7)	<u>900,118</u>	<u>341,138</u>

Transactions with related parties during the period are as follows

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Premiums	<u>1,164,130</u>	<u>1,269,630</u>
Claims paid	<u>161,288</u>	<u>232,829</u>

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

10 Related party transactions and balances (continued)

Remuneration of key management personnel

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Short term benefits	587,430	587,430
Post-employment benefits	28,333	28,333
	<u>615,763</u>	<u>615,763</u>

11 Other payables

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Dividend payable	5,283,005	5,281,154
Insurance Authority fees reserve	1,573,673	1,204,584
Deferred income	1,494,047	1,229,423
Remuneration of the Directors	-	3,375,000
Other payables	19,028,262	11,167,570
	<u>27,378,987</u>	<u>22,257,731</u>

12 Dividends

On 21 March 2023, the shareholders at the Annual General Assembly approved cash dividends of 0.30 fils per share amounting to AED 30,000,000 (31 March 2022: 0.35 fils per share amounting to AED 35,000,000).

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

13 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 2023 (Unaudited) AED	Three-month period ended 31 March 2022 <i>Restated</i> (Unaudited) AED
Profit for the period (AED)	23,317,409	18,431,891
Weighted average number of ordinary shares outstanding during the period	100,000,000	100,000,000
Basic and diluted earnings per share (AED)	0.23	0.18

14 Income from investments, net

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Dividend income	8,110,287	8,867,714
Interest income	1,686,355	1,045,449
Change in fair value of investments at fair value through profit or loss (note 6)	2,743,325	4,597,029
Gain on sale of investments at fair value through profit or loss	-	238,094
Foreign exchange gain on investments	2,159,451	9,839
Other investment loss	(42,041)	(14,575)
Income from investments	14,657,377	14,743,550
Income from investment properties	529,031	481,904
Income from investments, net	15,186,408	15,225,454

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

15 Segment reporting

15.1 Segment revenue and results

The Company has two reportable segments, as described below, which are the Company'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.

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

	Three-month period ended 31 March (Unaudited)			2022 (Restated)		
	2023			2022 (Restated)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	80,577,150	12,596,355	93,173,505	77,915,876	10,801,863	88,717,739
Direct costs	(72,657,881)	(153,272)	(72,811,153)	(67,869,729)	(173,438)	(68,043,167)
Other underwriting income	8,825,883	-	8,825,883	1,886,751	-	1,886,751
Other underwriting expenses	(635,785)	-	(635,785)	(620,744)	-	(620,744)
Non-cash investment gain	-	2,743,325	2,743,325	-	4,597,029	4,597,029
Segment profit	16,109,367	15,186,408	31,295,775	11,312,154	15,225,454	26,537,608
General and administrative expenses	(7,868,574)	-	(7,868,574)	(8,067,366)	-	(8,067,366)
Finance cost	(109,792)	-	(109,792)	(38,351)	-	(38,351)
Other income	-	-	-	-	-	-
Profit for the period	8,131,001	15,186,408	23,317,409	3,206,437	15,225,454	18,431,891

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

15 Segment reporting (continued)

15.2 Segment assets and liabilities

	As at 31 March 2023 (Unaudited)			As at 31 December 2022 (Unaudited) (Restated)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	401,768,000	577,524,399	979,292,399	397,725,236	614,469,222	1,012,194,458
Unallocated assets			22,275,231	-	-	24,543,655
Total assets	401,768,000	577,524,399	1,001,567,630	397,725,236	614,469,222	1,036,738,113
Segment liabilities	562,317,132	7,900,697	570,217,829	580,259,964	7,803,413	588,063,377
Unallocated liabilities			5,283,005	-	-	5,281,154
Total liabilities	562,317,132	7,900,697	575,500,834	580,259,964	7,803,413	593,344,531
Capital expenditure	-	-	331,996	-	-	1,313,791

16 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of statutory deposit, investments carried at fair value through other comprehensive income, investments carried at fair value through profit and loss, insurance receivables, deposits, bank balances and cash, and certain other assets. Financial liabilities consist of insurance payables, lease liabilities 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 AED	Level 2 AED	Level 3 AED	Total AED
31 March 2023 (Unaudited)				
Investments at fair value through other comprehensive income	230,312,400	-	-	230,312,400
Investments at fair value through profit and loss	34,625,041	69,080,075	6,564,427	110,269,543
	264,937,441	69,080,075	6,564,427	340,581,943
31 December 2022 (Unaudited)				
Investments at fair value through other comprehensive income	240,956,595	-	-	240,956,595
Investments at fair value through profit and loss	44,583,562	65,384,332	6,564,427	116,532,321
	285,540,157	65,384,332	6,564,427	357,488,916

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

16 Fair value of financial instruments (continued)

Valuation technique:

Level 1: Quoted bid prices in an active market

Level 2: Valuation based on selected observable market inputs

Level 3: Net assets value based on audited financials

17 Leasing

Lease liabilities are presented in the condensed interim information of financial position as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Current	1,118,053	1,118,053
Non-current	5,176,552	5,350,892
	6,364,605	6,538,945

Carrying amount of right-of-use assets as presented in the condensed interim information of financial position is as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Right-of-use assets	6,463,714	6,698,531

18 Contingent liability

	31 March 2023 (Unaudited) AED	31 December 2022 (Unaudited) AED
Bank guarantees	11,914,421	11,914,421

Al Dhafra Insurance Company P.S.C.
Condensed Interim Financial Information

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

19 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the period. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	(Unaudited) 31 March 2023 AED	(Audited) 31 December 2022 AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	109,772,227	135,894,308
Minimum Guarantee Fund (MGF)	42,075,003	45,298,103
Basic Own Funds	230,273,984	254,937,880
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	130,273,984	154,937,880
MCR Solvency Margin - Solvency Capital Requirement (Surplus)	104,048,974	119,043,572
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	188,198,981	209,639,777

20 Post reporting date events

No adjusting or significant non-adjusting events occurred between the reporting date and the date of authorization of the condensed interim financial statements.

21 General

The figures in the condensed interim financial information are rounded to the nearest Dirham of United Arab Emirates.

22 Approval of condensed interim financial information

The condensed interim financial information was approved and authorized for issue by the Board of Directors on 11 May 2023.