Dubai National Insurance & Reinsurance Co. (P.S.C.)

Condensed interim financial information (Unaudited)
For the period ended 30 June 2023

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(Dubai Branch)

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Review report of the Independent Auditor

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company") as at 30 June 2023 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other related explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this 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 International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

Grant Thornton Public Accountants
P.O. Box 1620
DUBAI-U.A.E.

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 14 August, 2023

Condensed interim statement of financial position
As at 30 June 2023

	Notes	(Unaudited) 30 June 2023 AED'000	Restated (Unaudited) 31 December 2022 AED'000	Restated (Unaudited) 31 December 2021 AED'000
Assets				
Property and equipment		**6,244**	4,917	473
Investment properties	4	**149,342**	149,342	140,750
Financial assets	5	**456,343**	474,885	569,470
Statutory deposit	6	**10,000**	10,000	10,000
Reinsurance contract assets	7	**109,470**	101,294	150,580
Other receivables		**29,010**	20,032	15,663
Cash and bank balances	9	**169,832**	202,679	137,709
Total assets		**930,241**	963,149	1,024,645
Equity and liabilities				
Equity				
Share capital		**115,500**	115,500	115,500
Legal reserve	10	**57,750**	57,750	57,750
General reserve	10	**180,000**	180,000	180,000
Reinsurance reserve	10	**3,241**	3,241	2,023
Fair value reserve on financial assets at fair value through other comprehensive income (FVTOCI)		**142,938**	161,038	220,505
Retained earnings		**180,063**	163,536	170,369
Total equity		**679,492**	681,065	746,147
Liabilities				
Employees' end-of-service benefits		**4,468**	4,299	4,091
Insurance contract liabilities	7	**219,698**	245,362	237,241
Other payables		**26,583**	32,423	37,166
Total liabilities		**250,749**	282,084	278,498
Total equity and liabilities		**930,241**	963,149	1,024,645

This condensed interim financial information was authorised for issue on 14th August 2023 by the Board of Directors and signed on its behalf by:

Sultan Ahmed Al Habtoor
Vice Chairman

Mohammed Khalaf Al Habtoor
Managing Director

Condensed interim income statement
For the period ended 30 June 2023

	Notes	(Unaudited) Six-month period ended 30 June 2023 AED'000	Restated (Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Three-month period ended 30 June 2023 AED'000	Restated (Unaudited) Three-month period ended 30 June 2022 AED'000
Insurance revenue		**229,982**	155,042	**118,892**	80,945
Insurance service expenses	13	**(197,747)**	(99,114)	**(107,533)**	(52,103)
Insurance service result before reinsurance contracts held		**32,235**	55,928	**11,359**	28,842
Allocation of reinsurance premiums		**(130,483)**	(97,329)	**(66,548)**	(50,511)
Amounts recoverable from reinsurance for incurred claims		**102,365**	51,880	**58,046**	23,933
Net expenses from reinsurance contracts held		**(28,118)**	(45,449)	**(8,502)**	(26,578)
Insurance service result		**4,117**	10,479	**2,857**	2,264
Investment income	15	**22,982**	22,204	**4,870**	3,698
Insurance finance (expense)/income for insurance contracts issued	15	**(3,999)**	157	**(1,249)**	(191)
Reinsurance finance income for reinsurance contracts held	15	**6,226**	1,835	**2,244**	3,062
Net insurance financial result		**2,227**	1,992	**995**	2,871
Other operating expenses		**(1,249)**	(1,194)	**(665)**	(619)
Profit for the period		**28,077**	33,481	**8,057**	8,214
Basic and diluted earnings per share	11	**0.24**	0.29	**0.07**	0.07

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Condensed interim statement of comprehensive income
For the period ended 30 June 2023

	(Unaudited) Six-month period ended 30 June 2023 AED'000	Restated (Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Three-month period ended 30 June 2023 AED'000	Restated (Unaudited) Three-month period ended 30 June 2022 AED'000
Profit for the period	**28,077**	33,481	**8,057**	8,214
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss:				
Net unrealised loss on debt investments carried at FVTOCI	**(155)**	(2,826)	**(22)**	(723)
Items that will not be reclassified subsequently to profit or loss				
Net unrealised (loss)/gain on equity investments carried at FVTOCI	**(17,945)**	(44,674)	**31,125**	(125,783)
Total other comprehensive (loss)/income for the period	**(18,100)**	(47,500)	**31,103**	(126,506)
Total comprehensive (loss)/income for the period	**9,977**	(14,019)	**39,160**	(118,292)

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Condensed interim statement of changes in equity
For the period ended 30 June 2023

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2022, as previously reported	115,500	57,750	180,000	2,023	220,505	173,903	749,681
Impact of initial application of IFRS 17	-	-	-	-	-	(3,535)	(3,535)
Restated balance at 1 January 2022	115,500	57,750	180,000	2,023	220,505	170,368	746,146
Profit for the period (restated)	-	-	-	-	-	33,481	33,481
Other comprehensive income for the period	-	-	-	-	(47,500)	-	(47,500)
Total comprehensive income for the period	115,500	57,750	180,000	2,023	173,005	203,849	732,127
Dividend paid (note 12)	-	-	-	-	-	(34,650)	(34,650)
Balance at 30 June 2022 (Unaudited)	115,500	57,750	180,000	2,023	173,005	169,199	697,477
Balance at 1 January 2023 (Audited)	**115,500**	**57,750**	**180,000**	**3,241**	**161,038**	**160,217**	**677,746**
Impact of initial application of IFRS 17	-	-	-	-	-	**3,319**	**3,319**
Restated balance as at 1 January 2023	**115,500**	**57,750**	**180,000**	**3,241**	**161,038**	**163,536**	**681,065**
Profit for the period	-	-	-	-	-	**28,077**	**28,077**
Other comprehensive loss	-	-	-	-	**(18,100)**	-	**(18,100)**
Total comprehensive income for the period	**115,500**	**57,750**	**180,000**	**3,241**	**142,938**	**191,613**	**691,042**
Dividend paid (note 12)	-	-	-	-	-	**(11,550)**	**(11,550)**
Balance at 30 June 2023 (Unaudited)	**115,500**	**57,750**	**180,000**	**3,241**	**142,938**	**180,063**	**679,492**

The notes from 1 to 19 form an integral part of this condensed interim financial information.

Dubai National Insurance & Reinsurance Co. (P.S.C.)
Condensed interim financial information (Unaudited)

Condensed interim statement of cash flows
For the period ended 30 June 2023

	Notes	(Unaudited) Six-month period ended 30 June 2023 AED'000	Restated (Unaudited) Six-month period ended 30 June 2022 AED'000
Cash flows from operating activities			
Profit for the period		**28,077**	33,481
Adjustments for:			
Depreciation on property and equipment		**181**	123
Provision for employees' end-of-service benefits		**377**	299
Investment income		**(20,177)**	(19,322)
Operating cash flows before changes in working capital		**8,458**	14,581
Changes in working capital			
Other receivables		**(8,978)**	4,214
Reinsurance contract assets		**(8,175)**	28,907
Insurance contract liabilities		**(25,663)**	(21,570)
Other payables		**(5,842)**	(6,069)
Cash generated from operation		**(40,200)**	20,063
Employees' end-of-services benefits paid		**(208)**	(227)
Net cash (used in)/generated from operating activities		**(40,408)**	19,836
Cash flows from investing activities			
Purchase of property and equipment		**(1,508)**	(93)
Net movement in fixed deposits		**19,690**	29,962
Dividend and interest income received		**20,618**	16,924
Net cash generated from investing activities		**38,800**	46,793
Cash flows from financing activity			
Dividend paid	12	**(11,550)**	(34,650)
Net cash used in financing activity		**(11,550)**	(34,650)
Net change in cash and cash equivalents		**(13,158)**	31,979
Cash and cash equivalents, beginning of period		**67,259**	57,092
Cash and cash equivalents, end of period	9	**54,101**	89,071

The notes from 1 to 19 form an integral part of this condensed interim financial information.

1 Legal status and activities

Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company") is a public shareholding Company incorporated in Dubai on 6 January 1992.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007 as amended, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

The registered address of the Company is Dubai National Insurance Building, 3rd Floor, Sheikh Zayed Road, P.O. Box 1806, Dubai, UAE.

This condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

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 regime in the UAE. The Law was published in the official gazette on 10 October 2022 and became effective on 25 October 2022. The Corporate Tax law will apply to taxable persons for financial years beginning on or after 1 June 2023. The corporate income tax will apply on the adjusted accounting net profits of a business. The Company is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, in preparation for full compliance with the new corporate tax law noting that the first tax period for the Company is starting on 1 January 2024.

2 Basis of preparation

This condensed interim financial information is for the six-month period ended 30 June 2023 and is presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. This condensed interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' and complies with the applicable requirements of the laws in the U.A.E.

This condensed interim financial information has been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income, financial assets carried at fair value through profit and loss and investment property carried at fair value which are carried at fair value.

The Company's condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, financial assets at fair value through profit and loss, other receivables and other payables. The following balances would generally be classified as non-current: property and equipment and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, insurance contract liabilities, bank balances, fixed deposits and provision for employees' end of service indemnity.

The condensed interim financial information does not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 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.

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

3 Significant accounting policies (continued)

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. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The Company applies the PAA to simplify the measurement of all of its insurance and reinsurance contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company 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.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

The Company capitalises expenses all of its insurance acquisition cash flows. No separate asset is recognised for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Changes to presentation and disclosure

For presentation in the condensed interim statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

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

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

The line item descriptions in the condensed interim statement of profit or loss and condensed interim other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each condensed interim financial information line item and EPS. The effects of adopting IFRS 17 on the condensed interim financial information at 1 January 2022 are presented in the condensed interim statement of changes in equity.

Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided into groups of contracts by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Evaluation of expected combines ratios;
- Pricing information;
- Results of similar contracts it has recognised; and
- Environment factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; and
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group The Company adds new contracts to the group when they are issued or initiated.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

Both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary.

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach (continued)

Insurance contracts – initial measurement (continued)

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with:

- The extent of future cash flows related to any derivatives embedded in the contracts.
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Company pays or receives before the group of insurance contracts is recognised. There is no allowance for time value of money as the premiums are mostly received within one year of the coverage period.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus capitalised insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Reinsurance contracts

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired);

or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.

The Company does not disaggregate the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

3 Significant accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company does not disaggregate insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in profit or loss. The Company's financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

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 insurance contracts. 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.

3 Significant accounting policies (continued)

Judgements and estimates (continued)

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to recognise the payments as an expense immediately (coverage period of a year or less) for all acquisition cashflows except for commission expense which is 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.

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 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.

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

The Company use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The three-step approach to derive discount rates is mentioned below:

- Credit risk premium component is removed from the asset yields of the reference portfolio;
- The illiquidity risk premium is then derived using the risk-free rates and the rates computed in above step; and
- Subsequently, the bottom-up approach is used by adding this illiquidity premium to the risk-free base curve in order to arrive at the "point-in-time" locked-in interest rate curve.

Currently, all the premiums written by the Company are received within 12 months from the policy start date, so there are no contracts with significant financing component or credit facilities. Hence, there is no requirement of discounting the liabilities for remaining coverage (LRC) under PAA.

3 Significant accounting policies (continued)

Judgements and estimates (continued)

Discount rates (continued)

Similarly, for most lines of business the claims are settled within 12 months from the date of incurrence except for accident, fire, and engineering where a significant portion of claims are settled beyond 12 months from the date of loss. Hence, liability for incurred claims (LIC) under PAA will be discounted.

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
Insurance issued								
AED	**6.66%**	4.68%	**5.64%**	4.52%	**5.16%**	4.44%	**4.80%**	4.47%
Reinsurance contracts held								
AED	**6.66%**	4.68%	**5.64%**	4.52%	**5.16%**	4.44%	**4.80%**	4.47%

Risk adjustment for non-financial risk

The Company use Mack method or bootstrapping to determine its risk adjustment for non-financial risk. The bootstrap effectively allows the Company to measure the uncertainty about the amount and timing of the cash flows that arise from non-financial risk since bootstrapping the triangles aims to illustrate the variability of the paid claims.

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 75th 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 75th 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.

Valuation of investment properties

Fair value of investment properties is estimated by two independent professional valuers accredited with the Royal Institution of Chartered Surveyors for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Rights and obligations of the investments

Quoted equity investments are in the name of the Chairman, however, are controlled by the Company. These investments are held for the beneficial interest of the Company. Management addresses the significant judgement over the rights and obligations by obtaining direct annual re-confirmation from the Chairman that the assets held in Chairman's name are for the Company's beneficial interest and receiving all risk and economic rewards associated with these investments.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables. For non-insurance receivables the recoverability is assessed, and provisions are created in compliance with the simplified approach under the IFRS 9 methodology.

4 Investment properties

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Fair value		
Opening net book value	**149,342**	140,750
Increase in fair value during the period/year	**-**	8,592
Closing net book value	**149,342**	149,342

On 31 December 2022, two independent and experienced professional valuers estimated the fair value of the investment properties at AED 146.7 million and AED 152 million. The Company has opted the average of the two investment properties valuations. The valuers hold relevant professional qualifications and experience. Management estimates that there has been no change in the fair value of investment properties during the six-month period ended 30 June 2023.

5 Financial assets

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2023 (Unaudited)					
Financial assets at FVTPL					
Investment in quoted equity securities	(a)	**1,741**	**-**	**-**	**1,741**
Financial assets at FVTOCI					
Investment in quoted equity securities*	(a)	**378,748**	**-**	**-**	**378,748**
Investment in debt securities	(a)	**75,854**		**-**	**75,854**
		456,343	**-**	**-**	**456,343**
31 December 2022 (Audited)					
Financial assets at FVTPL					
Investment in quoted equity securities	(a)	2,183	-	-	2,183
Financial assets at FVTOCI					
Investment in quoted equity securities*	(a)	396,692	-	-	396,692
Investment in debt securities	(a)	76,010	-	-	76,010
		474,885	-	-	474,885

* This comprises of quoted investments amounting to AED 51.6 million (2022: quoted investment amounting to AED 50.6 million) which are in the name of the Chairman held for the beneficial interest of the Company.

(a) Fair values have been determined by reference to their quoted prices at the reporting date.

6 Statutory deposit

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Held with a local bank in Dubai, UAE	**10,000**	10,000

Statutory deposit held with a local bank in Dubai, UAE represents deposits held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 as amended concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its Operations. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

7 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:

	30 June 2023 (Unaudited)			31 December 2022 (Unaudited)		
	Assets AED'000	**Liabilities AED'000**	**Net AED'000**	Assets AED'000	Liabilities AED'000	Net AED'000
Insurance contracts issued	-	(219,698)	(219,698)	-	(245,362)	(245,362)
Reinsurance contracts held	109,470	-	109,470	101,294	-	101,294

7 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

	Liabilities for remaining coverage		Liabilities for incurred claims		
	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
30 June 2023					
Insurance contract liabilities as at 1 January	**13,527**	**450**	**203,590**	**27,795**	**245,362**
Insurance revenue	**(229,982)**	**-**	**-**	**-**	**(229,982)**
Insurance service expenses	**33,763**	**(386)**	**163,763**	**605**	**197,747**
Incurred claims and other expenses			**103,344**	**10,026**	**113,370**
Amortisation of insurance acquisition cash flows	**33,765**				**33,765**
Losses on onerous contracts and reversals		**(409)**			**(409)**
Reversals of losses on onerous contracts		**23**			**23**
Changes to liabilities for incurred claims			**60,419**	**(9,421)**	**50,998**
Insurance service result	**(196,219)**	**(386)**	**163,763**	**605**	**(32,235)**
Insurance finance expense	**-**	**-**	**3,641**	**358**	**3,999**
Total changes in the statement of comprehensive income	**(196,219)**	**(386)**	**167,404**	**963**	**(28,236)**
Cash flows					
Premiums received	**199,005**	**-**	**-**	**-**	**199,005**
Claims and other expenses paid	**-**	**-**	**(164,115)**	**-**	**(164,115)**
Insurance acquisition cash flows	**(32,316)**	**-**	**-**	**-**	**(32,316)**
Total cash flows	**166,689**	**-**	**(164,115)**	**-**	**2,574**
Net insurance contract liabilities as at 30 June	**(16,003)**	**64**	**206,879**	**28,758**	**219,698**
31 December 2022 *(restated)*					
Insurance contract liabilities as at 1 January	8,538	1,403	199,393	27,907	237,241
Insurance revenue	(351,934)	-	-	-	(351,934)
Insurance service expenses	52,146	(953)	196,133	(155)	247,171
Incurred claims and other expenses	-	-	175,587	12,336	187,923
Amortisation of insurance acquisition cash flows	52,146	-	-	-	52,146
Losses on onerous contracts and reversals	-	450	-	-	450
Reversals of losses on onerous contracts	-	(1,403)	-	-	(1,403)
Changes to liabilities for incurred claims	-	-	20,546	(12,491)	8,055
Insurance service result	(299,788)	(953)	196,133	(155)	(104,763)
Insurance finance expense	-	-	612	43	655
Total changes in the statement of comprehensive income	(299,788)	(953)	196,745	(112)	(104,108)
Cash flows					
Premiums received	358,279	-	-	-	358,279
Claims and other expenses paid	-	-	(192,548)	-	(192,548)
Insurance acquisition cash flows	(53,502)	-	-	-	(53,502)
Total cash flows	304,777	-	(192,548)	-	112,229
Net insurance contract liabilities as at 31 December	13,527	450	203,590	27,795	245,362

7 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

	Assets for remaining coverage		Amounts recoverable on incurred claims		
30 June 2023	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	225,515	(177)	(307,032)	(19,600)	(101,294)
An allocation of reinsurance premiums	130,483	-	-	-	130,483
Amounts recoverable from reinsurers for incurred claims	(6,252)	151	(93,336)	(2,928)	(102,365)
Amounts recoverable for incurred claims and other expenses	-	-	(50,572)	(5,092)	(55,664)
Recovery on amortisation of insurance acquisition cash flows	(6,252)	-	-	-	(6,252)
Loss-recovery on onerous underlying contracts and adjustments	-	150	-	-	150
Reversals of recoveries of losses on onerous underlying		1			1
Changes to amounts recoverable for incurred claims	-	-	(42,764)	2,164	(40,600)
Net income or expense from reinsurance contracts held	124,231	151	(93,336)	(2,928)	28,118
Reinsurance finance income	-	-	(5,959)	(267)	(6,226)
Total changes in the statement of comprehensive income	124,231	151	(99,295)	(3,195)	21,892
Cash flows					
Premiums paid	(141,300)	-	-	-	(141,300)
Amounts received	7,526	-	-	-	7,526
Actual Claims Received	-	-	104,420	-	104,420
Actual Expenses	-	-	(714)	-	(714)
Total cash flows	(133,774)	-	103,706	-	(30,068)
Net reinsurance contract assets as at 30 June	215,972	(26)	(302,621)	(22,795)	(109,470)

7 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

	Assets for remaining coverage		Amounts recoverable on incurred claims		
31 December 2022 *(restated)*	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	547,318	(816)	(679,759)	(17,323)	(150,580)
An allocation of reinsurance premiums	218,741	-	-	-	218,741
Amounts recoverable from reinsurers for incurred claims	(20,954)	639	(106,126)	(2,267)	(128,708)
Amounts recoverable for incurred claims and other expenses	-	-	(85,951)	(5,497)	(91,448)
Recovery on amortisation of insurance acquisition cash flows	(20,954)	-	-	-	(20,954)
Loss-recovery on onerous underlying contracts and adjustments	-	(177)	-	-	(177)
Reversals of recoveries of losses on onerous underlying contracts	-	816	-	-	816
Changes to amounts recoverable for incurred claims	-	-	(20,175)	3,230	(16,945)
Net income or expense from reinsurance contracts held	197,787	639	(106,126)	(2,267)	90,033
Reinsurance finance income	-	-	(2,415)	(10)	(2,425)
Total changes in the statement of comprehensive income	197,787	639	(108,541)	(2,277)	87,608
Cash flows					
Premiums paid	(530,664)	-	-	-	(530,664)
Amounts received	11,074	-	481,268	-	492,342
Total cash flows	(519,590)	-	481,268	-	(38,322)
Net reinsurance contract assets as at 31 December	225,515	(177)	(307,032)	(19,600)	(101,294)

8 Related Party

Related party transactions

The nature of significant related party transactions and amounts involved were as follows:

	(Unaudited) Six-month period ended 30 June 2023 AED'000	(Restated) (Unaudited) Six-month period ended 30 June 2022 AED'000	**(Unaudited) Three-month period ended 30 June 2023 AED'000**	(Restated) (Unaudited) Three-month period ended 30 June 2022 AED'000
Premiums written	**30,631**	40,182	**14,337**	23,585
Claims paid	**4,115**	4,650	**864**	2,624
Agency / non-agency repairs	**5,487**	10,446	**(2,217)**	4,556
Commission paid	**835**	1,275	**(100)**	602
Key management personnel compensation				
Short term benefits	**304**	814	**(185)**	406
Post-employment benefits	**10,438**	41	**10,413**	37
	10,742	855	**10,228**	443

Quoted investments at FVTOCI amounting to AED 51.6 million (2022: quoted investment amounting to AED 50.6 million) is registered in the name of the Chairman in the beneficial interest of the Company (refer to note 5).

9 Cash and bank balances

Cash and bank balances comprise the following statement of financial position amounts:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Cash in hand and at banks	**169,832**	202,679

Cash at banks includes deposits with local banks carrying interest ranging from 3.10% - 5.25% (31 December 2022: 0.20% - 5.25%) per annum.

As per management's assessment, expected credit loss on cash and cash equivalents is immaterial.

Cash and cash equivalents at the end of the period as shown in the condensed interim statement of cash flows can be reconciled to the related items in the financial items in the condensed interim statement of financial position as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 30 June 2022 AED'000
Cash and bank balances	**169,832**	139,726
Bank deposits with maturity over 3 months	**(115,731)**	(50,655)
Cash and cash equivalents	**54,101**	89,071

10 Reserves

Legal reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. (32) of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the period as it has already reached 50% of the paid-up share capital (30 June 2022: Nil).

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors. During the period, there were no transfers from or to the general reserve (30 June 2022: no transfers)

Reinsurance reserve

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, concerning instructions organising reinsurance operations, the reserve is not available for distribution and will not be disposed of without prior approval from the Central Bank of United Arab Emirates.

11 Earnings per share

	(Unaudited) Six-month period ended 30 June 2023	Restated (Unaudited) Six-month period ended 30 June 2022	**(Unaudited) Three-month period ended 30 June 2023**	Restated (Unaudited) Three-month period ended 30 June 2022
Earnings (AED'000):				
Net profit for the period	**28,077**	33,481	8,057	8,214
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**115,500,000**	115,500,000	**115,500,000**	115,500,000
Earnings per share (AED):				
Basic and diluted	0.24	0.29	0.07	0.07

The Company does not have potentially diluted shares and accordingly diluted earnings per share equals basic earnings per share.

12 Dividends

The Board proposed cash dividend of 10% of paid up share capital, amounting to AED 11.55 million (AED 0.10 per share) for the year ended 31 December 2022 at the Annual General Meeting held on 18 April 2023 and distributed on 9 May 2023.

During the comparative period, the Board proposed cash dividend of 30% of paid up share capital, amounting to AED 34.65 million (AED 0.30 per share) for the year ended 31 December 2021 at the Annual General Meeting held on 31 March 2022 and distributed on 28 April 2022.

13 Insurance service expense

	(Unaudited) Six-month period ended 30 June 2023 AED'000	Restated (Unaudited) Six-month period ended 30 June 2022 AED'000	**(Unaudited) Three-month period ended 30 June 2023 AED'000**	Restated (Unaudited) Three-month period ended 30 June 2022 AED'000
Incurred claims and other expenses	**113,370**	84,311	**40,426**	26,289
Amortisation of insurance acquisition cash flows	**33,765**	21,678	**17,076**	10,949
Losses on onerous contracts and reversals of those losses	**(386)**	(1,367)	**(706)**	18
Changes to liabilities for incurred claims	**50,998**	(5,508)	**50,737**	14,847
	197,747	99,114	**107,533**	52,103

14 Segment information

The following is an analysis of the Company's assets, liabilities and equity classified by segment:

	(Unaudited) Underwriting AED'000	**(Unaudited) Investments AED'000**	**(Unaudited) Total AED'000**
As at 30 June 2023			
Total assets	**144,724**	**785,517**	**930,241**
Total equity	**536,554**	**142,938**	**679,492**
Total liabilities	**243,800**	**6,949**	**250,749**
As at 31 December 2022			
Total assets	126,243	836,906	963,149
Total equity	681,065	-	681,065
Total liabilities	277,607	4,477	282,084

14 Segment information (continued)

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance, Group life and Health Insurance. Investments segment comprises Investment Property and Financial Assets. The Group life Insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	For the six month period ended 30 June 2023 (Unaudited)			For the six month period ended 30 June 2022 (Unaudited) (Restated)		
	Underwriting AED'000	**Investments AED'000**	**Total AED'000**	Underwriting AED'000	Investments AED'000	Total AED'000
Insurance revenue	**229,982**	**-**	**229,982**	155,042	-	155,042
Insurance service expenses	**(197,747)**	**-**	**(197,747)**	(99,114)	-	(99,114)
Insurance service result before reinsurance contracts held	**32,235**	**-**	**32,235**	55,928	-	55,928
Allocation of reinsurance premiums	**(130,483)**	**-**	**(130,483)**	(97,329)	-	(97,329)
Amounts recoverable from reinsurance for incurred claims	**102,365**	**-**	**102,365**	51,880	-	51,880
Net expenses from reinsurance contracts held	**(28,118)**	**-**	**(28,118)**	(45,449)	-	(45,449)
Insurance service result	**4,117**	**-**	**4,117**	10,479	-	10,479
Investment income	**-**	**22,982**	**22,982**	-	22,204	22,204
Insurance finance expense for insurance contracts issued	**(3,999)**	**-**	**(3,999)**	157	-	157
Reinsurance finance income for reinsurance contracts held	**6,226**	**-**	**6,226**	1,835	-	1,835
Net insurance financial result	**2,227**	**-**	**2,227**	1,992	22,204	24,196
Other operating expenses	**(1,249)**	**-**	**(1,249)**	(1,194)	-	(1,194)
Profit for the period	**5,095**	**22,982**	**28,077**	11,277	22,204	33,481

14 Segment information (continued)

	For the three month period ended 30 June 2023 (Unaudited)			For the three month period ended 30 June 2022 (Unaudited) (Restated)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Insurance revenue	**118,892**	**-**	**118,892**	80,945	-	80,945
Insurance service expenses	**(107,533)**	**-**	**(107,533)**	(52,103)	-	(52,103)
Insurance service result before reinsurance contracts held	**11,359**	**-**	**11,359**	28,842	-	28,842
Allocation of reinsurance premiums	**(66,548)**	**-**	**(66,548)**	(50,511)	-	(50,511)
Amounts recoverable from reinsurance for incurred claims	**58,046**	**-**	**58,046**	23,933	-	23,933
Net expenses from reinsurance contracts held	**(8,502)**	**-**	**(8,502)**	(26,578)	-	(26,578)
Insurance service result	**2,857**	**-**	**2,857**	2,264	-	2,264
Investment income	**-**	**4,870**	**4,870**	-	3,698	3,698
Insurance finance expense for insurance contracts issued	**(1,249)**	**-**	**(1,249)**	(191)	-	(191)
Reinsurance finance income for reinsurance contracts held	**2,244**	**-**	**2,244**	3,062	-	3,062
Net insurance financial result	**995**	**-**	**995**	2,871	-	2,871
Other operating expenses	**(665)**	**-**	**(665)**	(619)	-	(619)
Profit for the period	**3,187**	**4,870**	**8,057**	4,516	3,698	8,214

15 Total investment income and net insurance financial result

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the period:

	(Unaudited) Six-month period ended 30 June 2023	Restated (Unaudited) Six-month period ended 30 June 2022
	AED'000	AED'000
Investment income		
Amounts recognised in the profit or loss		
Net interest income and fair value gain on investments	**5,139**	4,268
Dividend income from financial investments	**15,037**	15,054
Net income from investment properties	**2,806**	2,882
Total investment income	**22,982**	22,204
Insurance finance expense from insurance contracts issued		
Interest accreted to insurance contracts using locked-in rate	**(4,067)**	(703)
Due to changes in interest rates and other financial assumptions	**68**	860
Total insurance finance expense from insurance contracts issued	**(3,999)**	157
Represented by:		
Amounts recognised in profit or loss	**(3,999)**	157
Amounts recognised in OCI	**-**	-
Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions	**6,882**	2,673
Due to changes in interest rates and other financial assumptions	**(656)**	(838)
Reinsurance finance income from reinsurance contracts held	**6,226**	1,835
Represented by:		
Amounts recognised in profit or loss	**6,226**	1,835
Amounts recognised in OCI	**-**	-
Total net investment income, insurance finance expense and reinsurance finance income	**25,209**	24,196
Represented by:		
Amounts recognised in profit or loss	**25,209**	24,196
Amounts recognised in OCI	**-**	-

15 Total investment income and net insurance financial result (continued)

	(Unaudited) Three-month period ended 30 June 2023 AED'000	Restated (Unaudited) Three-month period ended 30 June 2022 AED'000
Investment income		
Amounts recognised in the profit or loss		
Net interest income and fair value gain on investments	**2,827**	362
Dividend income from financial investments	**632**	1,725
Net income from investment properties	**1,411**	1,611
Total investment income	**4,870**	3,698
Insurance finance expense from insurance contracts issued		
Interest accreted to insurance contracts using locked-in rate	**(1,317)**	(245)
Due to changes in interest rates and other financial assumptions	**68**	54
Total insurance finance expense from insurance contracts issued	**(1,249)**	(191)
Represented by:		
Amounts recognised in profit or loss	**(1,249)**	(191)
Amounts recognised in OCI	**-**	-
Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions	**2,901**	1,262
Due to changes in interest rates and other financial assumptions	**(657)**	1,800
Reinsurance finance income from reinsurance contracts held	**2,244**	3,062
Represented by:		
Amounts recognised in profit or loss	**2,244**	3,062
Amounts recognised in OCI	**-**	-
Total net investment income, insurance finance expense and reinsurance finance income	**5,865**	6,569
Represented by:		
Amounts recognised in profit or loss	**5,865**	6,569
Amounts recognised in OCI	**-**	-

16 Commitments and contingencies

At the statement of financial position date, the Company has commitments towards the capital work in progress of AED 1.62 million (31 December 2022: AED 2 million).

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

17 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values except for financial investments measured at fair value through other comprehensive income of which fair value is determined based on the quoted market prices and disclosed in Note 5 of this condensed interim financial information.

Fair value of financial instruments carried at fair value

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2022.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

The following table provides an analysis of financial and non- financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

17 Fair value measurements (continued)

Some of the Company'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:

Financial assets	Fair value as at 30 June 2023 (Unaudited) AED'000	Fair value as at 31 December 2022 (Unaudited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Debt securities	**75,854**	76,010	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	**380,489**	398,875	Level 1	Quoted bid prices in an active market	None	N/A

There were no transfers between levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

18 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) 30 June 2023 AED'000	(Unaudited) 31 December 2022 AED'000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**150,804**	139,281
Minimum Guarantee Fund (MGF)	**50,268**	46,427
Basic Own Funds	**318,670**	321,412
MCR Solvency Margin - Minimum Capital Requirement surplus	**218,670**	221,412
MCR Solvency Margin - Solvency Capital Requirement surplus	**167,866**	182,130
MGF Solvency Margin – Minimum Guarantee Fund surplus	**268,402**	274,984

In accordance with Circular number CBUAE/BIS/2023/729 of CBUAE dated 10 February 2023, the assets which are not in the Company's name should not be considered as admissible in regulatory statement of financial position. In the reported solvency figures as at 30 June 2023 as mentioned above, 51.6 million AED million of assets are not in the name of the Company and owned by a related party (refer to note 5).

19 Subsequent events

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the six-month period ended 30 June 2023