HAYAH Insurance Company P.J.S.C.

Condensed interim financial information

31 March 2023

Principal business address:
HAYAH Insurance Company P.J.S.C.
P O Box: 63323
Abu Dhabi
UAE

HAYAH Insurance Company P.J.S.C.

Condensed interim financial information

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HAYAH

HAYAH Insurance Company P.J.S.C

Report of the Board of Directors
For the period ended 31st March 2023

The Board of Directors are pleased to submit the report of the Company's activities accompanied by the financial statements for the period ended 31 March 2023.

The Company registered a net profit of AED 0.24 million for the period ended 31 March 2023, compared to a net profit of AED 5.76 million (restated) during last year.

Total Insurance Revenue amounted to AED 20.03 million for the period ended 31 March 2023 compared to AED 12.56 million (restated) for the corresponding period of last year, representing retention of clients and securing new business with an increase of 59% from period ended 31 March 2022.

During the year, the Company has maintained volumes of life insurance, despite tough competition in the market. For the period ended 31 March 2023, the Company incurred net insurance results of AED 0.11 million, as compared to total net insurance results of AED 4.4 million in the corresponding period of last year.

For the period ended 31 March 2023, the Company achieved investment income of AED 0.90 million, as compared to AED 1.84 million in the corresponding period of last year representing a decrease of AED 0.94 million.

The Company has been strengthening and expanding its capabilities to support the focus on the largely untapped life insurance market. The total operating costs increased by 44% due to the transformation cost.

Transaction with related Parties
These financial statements include related party transactions and balances which are disclosed in the notes and are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

2023 Outlook

The UAE's economic growth is anticipated to moderately slowdown in 2023. This will be mainly due to OPEC-agreed oil production cuts and a slowdown in the non-oil sector because of increased interest rates.

Record-high inflation and the consequent cost-of-living crisis will be the greatest challenge faced by the insurance industry. Considering UAE macro-economic context and particularly its impact on the insurance market dynamics, the Company will adapt the scope and timing of its strategic focus on sustainability and profitability.

Member of the Board

HAYAH Insurance Company P.J.S.C.
Floor 16, Sheikh Sultan Bin Hamdan Building, Corniche Road
P.O. Box 63323, Abu Dhabi, United Arab Emirates
Telephone number: 00971 2 408 4700, Fax number: 00971 2 445 8717

Public Joint Stock Company funded by a paid-up capital of AED 200 million, registered at the Central Bank of the UAE with registration Nr.83 dated 16/09/2008

شركة حياه للتأمين ش.م.ع
الطابق16، بناية الشيخ سلطان بن حمدان، شارع الكورنيش
ص.ب 63323، أبوظبي، الإمارات العربية المتحدة
هاتف رقم: 0097124084700، فاكس رقم: 0097124458717

شركة مساهمة عامة برأسمال مدفوع قدره 200 مليون درهم ومسجلة لدى مصرف الامارات المركزي
بموجب القيد رقم 83 بتاريخ 2008/09/16

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Independent Auditors' Report on Review of the Condensed Interim Financial Information

To the Shareholders of HAYAH Insurance Company P.J.S.C.

Introduction

We have reviewed the accompanying 31 March 2023 condensed interim financial information of HAYAH Insurance Company P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2023;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2023;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2023;
- the condensed interim statement of changes in shareholders' equity for the three-month period ended 31 March 2023;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2023; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 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 condensed 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 31 March 2023 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

KPMG Lower Gulf Limited

Maher Alkatout
Registration No: 5453
Abu Dhabi, United Arab Emirates

Date: 31 MAY 2023

HAYAH Insurance Company P.J.S.C.

Condensed interim statement of financial position

As at

	Note	*(Unaudited)* **31 March 2023 AED'000**	*(Unaudited)* 31 December 2022 AED'000 *(Restated*)*
Assets			
Property and equipment		**2,620**	2,198
Intangible assets		**5,794**	5,765
Financial assets at fair value through other comprehensive income	*4*	**77,999**	77,233
Financial assets at fair value through profit or loss	*5*	**14,055**	14,391
Insurance contract assets	*6*	**5,255**	460
Reinsurance contract assets	*6*	**19,139**	16,756
Other receivables and prepayments		**20,413**	14,344
Statutory deposits	*7*	**4,000**	4,000
Time deposits	*8*	**30,028**	37,028
Cash and cash equivalents	*8*	**13,359**	11,977
Total assets		**192,662**	184,152
Equity and Liabilities			
Equity			
Share capital		**200,000**	200,000
Legal reserve		**690**	690
Other reserve		**1,372**	1,372
Reinsurance risk reserve		**303**	238
Accumulated losses		**(76,768)**	(76,940)
Fair value reserve		**(3,529)**	(3,967)
Net equity		**122,068**	121,393
Liabilities			
Insurance contract liabilities	*6*	**57,438**	44,203
Reinsurance contract liabilities	*6*	**37**	39
Provision for employees' end of service benefits		**2,114**	1,743
Other payables and accruals		**11,005**	16,774
Total liabilities		**70,594**	62,759
Total equity and liabilities		**192,662**	184,152

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Chairman of the Board

Chief Executive Officer

The notes set out on pages 10 to 38 form an integral part of this condensed interim financial information.
The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

*Comparative information has been restated on account of first-time adoption of IFRS17 Insurance Contracts (refer note 3)

HAYAH Insurance Company P.J.S.C.

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

	Note	***(Unaudited)*** **2023** **AED'000**	*(Unaudited)* 2022 AED'000 *(Restated*)*
Insurance revenue	*6*	**20,033**	12,563
Insurance service expenses	*6*	**(22,025)**	(5,511)
Insurance service result before reinsurance contracts held		**(1,992)**	7,052
Net income / (expenses) for reinsurance contracts held		**2,097**	(2,684)
Net insurance service result		**105**	4,368
Investment and other income - net	*10*	**899**	1,836
Insurance finance income and expenses		**(513)**	292
Reinsurance finance income and expenses		**158**	7
Net investment and insurance service result		**544**	2,135
Total income		**649**	6,503
Other operating expenses		**(412)**	(743)
Profit for the period		**237**	5,760
Earnings per share for the period - basic and diluted (AED)		**0.001**	0.029

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HAYAH Insurance Company P.J.S.C.

Condensed interim statement of profit or loss and other comprehensive income
for the three-month period ended 31 March

	(Unaudited) **2023** **AED'000**	*(Unaudited)* 2022 AED'000 *(Restated*)*
Profit for the period	**237**	5,760
Other comprehensive income		
Items that will not be reclassified subsequently to statement of profit or loss:		
Equity investment at FVOCI - net change in fair value	**44**	261
Items that are or may be reclassified subsequently to statement of profit or loss:		
Debt investment at FVOCI - net change in fair value	**394**	(2,984)
Other comprehensive income / (loss) for the period	**438**	(2,723)
Total comprehensive income for the period	**675**	3,037

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HAYAH Insurance Company P.J.S.C.

Condensed interim statement of changes in shareholders' equity
for the three-month period ended 31 March

	Share capital AED'000	*Legal reserve AED'000*	*Other reserve AED'000*	*Reinsurance risk reserve AED'000*	*Accumulated losses AED'000*	*Fair value reserve AED'000*	*Total AED'000*
At 31 December 2021 as previously reported	200,000	362	1,372	155	(78,049)	463	124,303
Impact of initial application of IFRS 17	-	-	-	-	(5,907)	-	(5,907)
At 1 January 2022 *(Restated*) (Unaudited)*	200,000	362	1,372	155	(83,956)	463	118,396
Total comprehensive income:							
Profit for the period	-	-	-	-	5,760	-	5,760
Other comprehensive loss for the period	-	-	-	-	-	(2,723)	(2,723)
Total comprehensive income / (loss) for the period	-	-	-	-	5,760	(2,723)	3,037
Transfer from retained earnings to reinsurance risk reserve	-	-	-	43	(43)	-	-
Restated balance at 31 March 2022 *(Restated*) (Unaudited)*	200,000	362	1,372	198	(78,239)	(2,260)	121,433
At 31 December 2022 as previously reported	**200,000**	**690**	**1,372**	**238**	**(75,185)**	**(3,967)**	**123,148**
Impact of initial application of IFRS 17	**-**	**-**	**-**	**-**	**(1,755)**	**-**	**(1,755)**
At 1 January 2023 *(Unaudited)*	**200,000**	**690**	**1,372**	**238**	**(76,940)**	**(3,967)**	**121,393**
Total comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**237**	**-**	**237**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**438**	**438**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**237**	**438**	**675**
Transfer from retained earnings to reinsurance risk reserve	**-**	**-**	**-**	**65**	**(65)**	**-**	**-**
At 31 March 2023 *(Unaudited)*	**200,000**	**690**	**1,372**	**303**	**(76,768)**	**(3,529)**	**122,068**

The notes set out on pages 10 to 38 form an integral part of this condensed interim financial information.

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HAYAH Insurance Company P.J.S.C.

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

	Note	**(Unaudited) 2023 AED'000**	(Unaudited) 2022 AED'000 (Restated*)
Cash flows from operating activities			
Profit for the period		**237**	5,760
Adjustments for:			
Depreciation		**353**	102
Amortisation		**39**	2
Bonds premium amoritsation	*10*	**(567)**	123
Fair value gain on financial assets at fair value through profit or loss	*10*	**335**	(853)
Reversal of allowance of impairment loss on financial assets at FVOCI	*10*	**12**	(4)
Reversal of allowance for expected credit losses of premiums and insurance receivables		**-**	(189)
Goss on sale of financial assets	*10*	**243**	(39)
Provision for employees' end of service benefits		**371**	162
Finance cost on lease liability		**10**	-
Write off		**142**	-
Interest income	*10*	**(870)**	(955)
Dividend income	*10*	**(52)**	(73)
Cash used in operation		**253**	4,036
Changes in:			
Insurance contract assets		**(4,796)**	(4,861)
Reinsurance contract assets		**(2,383)**	(4,964)
Other receivables and prepayments		**(3,071)**	2,213
Insurance contract liabilities		**13,235**	5,317
Reinsurance contract liabilities		**(2)**	146
Other payable and accruals		**(8,768)**	1,139
Net cash flow generated from operating activities		**(5,532)**	3,026

(continued)

HAYAH Insurance Company P.J.S.C.

Statement of cash flows *(continued)*
for the three-month period ended 31 March

	Note	*(Unaudited)* **2023** **AED'000**	*(Unaudited)* 2022 AED'000 *(Restated*)*
Cash flows from investing activities			
Additions to property and equipment		**(88)**	(488)
Additions to intangible assets		**(897)**	(1,096)
Withdrawal / (placement) of time deposits		**7,001**	(78)
Purchase of financial assets at fair value through other comprehensive income		**(7,596)**	(3,689)
Proceeds from sale of financial assets at fair value through other comprehensive income		**7,580**	7,744
Purchase of financial assets at fair value through profit or loss		**-**	(79)
Proceeds from sale of financial assets at fair value through profit or loss		**-**	1,115
Dividends received		**52**	73
Interest received		**957**	1,142
Net cash generated from investing activities		**7,009**	4,644
Cash flows from financing activities			
Payment for lease liability		**(95)**	-
Net increase in cash and cash equivalents		**1,382**	7,670
Cash and cash equivalents at 1 January		**11,977**	20,905
Cash and cash equivalents at 31 March	*8*	**13,359**	28,575

Non-cash transactions

The principal non-cash transactions were as follows:

(i) Fair value gain on financial assets at fair value through OCI credited to fair value reserve of AED 438 thousand *(31 March 2022: AED 2,723 thousand).*

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HAYAH Insurance Company P.J.S.C.

Notes to the condensed interim financial information

1 (a) Legal status and activities

HAYAH Insurance Company P.J.S.C. (the "Company") is a public joint stock company, registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 26 July 2008. The Company is registered in accordance with UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents and is governed by the provisions of the Federal Law No. (32) of 2021 concerning the commercial companies, Central Bank of UAE Board decision No. (25) of 2014 pertinent to Financial Regulations for insurance companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations, and is registered in the Insurance Companies Register under registration No. (83). The Company's principal activity is providing health and life insurance solutions.

The registered office of the Company is located at Floor 16, Sheikh Sultan Bin Hamdan Building, Corniche road, P.O. Box 63323, Abu Dhabi, United Arab Emirates.

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000. The Company has assessed the possible impact on the financial statements, and concluded that the results are not impacted by the transition requirements.

1 (b) Going concern

As at 31 March 2023, the Company had accumulated losses of AED 76,768 thousand *(31 December 2022 (Restated) : AED 76,940 thousand)*. The validity of going concern assumptions is dependent upon future operations and the ability of the Company to generate sufficient cash flows to meet its future obligations. The Company has sufficient cash balances as at 31 March 2023 and future plans indicate that the Company will be profitable and will generate sufficient cash flows. The Company's directors are, therefore, confident that the Company will be able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. Accordingly, this condensed interim financial information has been prepared on a going concern basis.

1 (c) Accumulated losses

As at 31 March 2023, the Company's accumulated losses represents 38.38% of the share capital of the Company *(31 December 2022: 38.47%)*. The history of these accumulated losses is analysed below:

- Carried-forward accumulated losses as at 31 December 2014 related to Green Crescent Insurance Company amounting to AED 28,438 thousand, which is prior to the formation of AXA Green Crescent Insurance Company P.J.S.C. in 2015;
- Net loss of AED 15,444 thousand incurred during the year ended 31 December 2015, was mainly attributable to a large expense base amounting to AED 20,852 thousand, offset by underwriting surplus and investments income of AED 4,632 thousand and AED 776 thousand respectively. Furthermore, accumulated losses were adjusted with an amount of AED 68 thousand as charges incurred on conversion of bonds into share capital of the Company;

1 (c) Accumulated losses *(continued)*

- Net loss of AED 13,910 thousand incurred during the year ended 31 December 2016, was mainly attributable to the large expense base amounting to AED 21,220 thousand, offset by underwriting surplus and investment income of AED 3,613 thousand and AED 3,697 thousand respectively;
- Net loss of AED 18,904 thousand incurred during the year ended 31 December 2017, was mainly attributable to losses on termination of life and savings contract amounting to AED 15,352 thousand;
- Net loss of AED 2,205 thousand incurred during the year ended 31 December 2018, was mainly attributable to the large expense base amounting to AED 15,434 thousand, offset by underwriting surplus and investment income of AED 7,857 thousand and AED 5,372 thousand respectively.
- Furthermore, the balance of the accumulated losses for the year ended 31 December 2018 was re-stated with a downward adjustment amounting to AED 2,150 thousand related to the adoption of IFRS 9 "Financial Instruments";
- Net profit of AED 162 thousand for the year ended 31 December 2019, was mainly attributable to prudent underwriting measures taken during the year;
- Net profit of AED 2,246 thousand for the year ended 31 December 2020, predominantly attributable to favorable underwriting margin and better loss ratios for most of its business.
- Net profit of AED 3,962 thousand (restated) for the year ended 31 December 2021, was attributable to better investment returns as compared to previous year.
- Net profit of AED 7,426 thousand (restated) for the year ended 31 December 2022, was attributable to positive underwriting results arising from Group Life business.
- Net profit of AED 237 thousand for the period ended 31 March 2023, is mainly attributable to change in reserve valuation and better underwriting results.

The Company has taken the following corrective actions to reduce its accumulated losses:

- The Company appointed a new Chief Executive Officer during 2018 and thereafter entirely reviewed its strategic direction;
- Steps have been taken to control and reduce general and administrative expenses, which are significantly lower than the previous years and lower than the budgeted expenses;
- Various pricing and monitoring tools and checks have been deployed by the management, by virtue of which, the business is closely monitored on a monthly basis, with corrective actions taken immediately, if required;
- Change in the team structure with technical resources and creation of a strategy manager position to generate more revenues;
- New underwriting approach has been applied by management to improve the quality of underwritten business;
- Accelerated growth on group life; as it is a profitable line of business with a potential for growth;

1 (c) Accumulated losses *(continued)*

- Recently, the Company launched individual protection product, this line of business has good potential to grow; and
- Since the life insurance market penetration is low in the country, the Company will continue exploring other lines of business to diversify sources of revenues.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and also complies with the applicable requirements of the laws in the UAE.

This is the first set of the Company's condensed interim financial information in which IFRS 17 Insurance Contracts have been applied. The related changes to significant accounting policies are described in Note 3. It does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(c) Functional and reporting currency

This condensed interim financial information is presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgement

In preparing this condensed interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2022, except for the change in accounting policy as described in Note 3.

3 Significant accounting policies

Newly effective standards

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023)

The Company has initially adopted IFRS 17 from 1 January 2023. This Standard has brought significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company. As a result, the Company has restated certain comparative amounts for the year ended 31 December 2022.

Except for the changes below, the accounting policies applied in the condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022.

IFRS 17, 'Insurance contracts' is applicable for annual reporting periods commencing on 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

Insurance contracts

The Company issues contracts that transfer insurance risk from the insured to the Company. Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the condensed interim financial information apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Company does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Changes to classification and measurement

For the Company, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

3 Significant accounting policies *(continued)*

Newly effective standards (continued)

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Changes to classification and measurement *(continued)*

Previously, the Company measured contracts at the line of business level under IFRS 4. IFRS 17 has introduced a new unit of account at which insurance and reinsurance contracts are measured. Contracts are grouped into a unit of account based on the portfolio, cohort and profitability group to which the contract belongs.

Measurement models

Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts. IFRS 17 consists of three measurement models: Premium allocation approach, General measurement model and Variable fee approach.

General measurement model

The general measurement model ("GMM"), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the risk- adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The contractual service margin ('CSM") represents the unearned profit from in-force contracts that the Company will recognise as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the fulfilment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the income statement. At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfilment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfilment cash flows related to past services.

The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units". IFRS 17 only provides principle-based guidance on how to determine these coverage units.

The Company has measured the following lines of business under the GMM model: Credit Life, Term Life.

Variable fee approach

The variable fee approach ("VFA") is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. An insurance contract has a direct participation feature if the following three requirements are met:

3 Significant accounting policies *(continued)*

Newly effective standards *(continued)*

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Measurement models *(continued)*

Variable fee approach *(continued)*

- the 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; and
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The contracts issued by the Company does not fall under the measurement requirements of Variable fee approach.

Premium allocation approach

The Company applies the premium allocation approach (PAA) to simplify the measurement of the groups of insurance contracts that it issues and the groups of reinsurance contracts it holds where the coverage period is 12 months or less.

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. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time.

Insurance revenue and insurance service expenses are recognised in the income statement based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions;
- Initial stages of a new business acquired where the underlying contracts are onerous; and
- Any other strategic decisions the management considers appropriate.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts. The Company has measured the following lines of business under the PAA model: Medical, Group life and Short term individual life.

3 Significant accounting policies *(continued)*

Newly effective standards (continued)

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Insurance revenue and insurance service expenses

As the Company provides insurance contract services under the group of insurance contracts, it reduces the Liability for Remaining Coverage and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

For insurance contracts measured under the premium allocation approach, expected premium receipts are allocated to insurance revenue based on the passage of time. IFRS 17 requires losses to be recognised immediately on contracts that are expected to be onerous.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortisation, changes that relate to past service i.e., changes in the Fulfilment cash flows (“FCF”) relating to the liability for incurred claims (“LIC”), changes that relate to future service (i.e., changes in the FCF that result in onerous contract losses or reversals of those losses) and insurance acquisition cash flows assets impairment.

Level of aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Each portfolio is further disaggregated into group of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company’s practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

For reinsurance contracts, the risks that must be similar and managed together to those transferred from the underlying contract to the issuer of the reinsurance contract is required to be considered. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

If risks covered are not similar enough between different treaties, they will not be classified into the same portfolios. It is possible for a portfolio to consist of a single reinsurance treaty if there are no other reinsurance treaties that are deemed to have a similar risks and are managed together.

3 Significant accounting policies *(continued)*

Newly effective standards *(continued)*

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Accounting policy choices

The following table sets out the accounting policy choices that the Company intends to adopt:

	IFRS 17 options	**Adopted approach**
Insurance acquisition cash flows	Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	The Company plans to amortise insurance acquisition cash flows for all contracts. The Company plans to allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.
Liability for remaining coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company plans to disregard interest accretion on the LRC for PAA eligible contracts
Liability for incurred claims ("LIC") adjusted for financial risk and time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company plans to discount and adjust the LIC for the time value of money except where the claim run off period is expected to be less than one year.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the statement of profit or loss or other comprehensive income option) is applied on a portfolio basis.	The Company intends to include changes in discount rates and other financial changes within the statement of profit or loss.

3 Significant accounting policies *(continued)*

Newly effective standards *(continued)*

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Accounting policy choices *(continued)*

	IFRS 17 options	**Adopted approach**
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company does not plan to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and plans to include the entire change within the insurance service result.
Recovery of insurance acquisition cash flows	It is an accounting policy choice whether or not to consider the time value of money in allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.	The Company plans to consider the time value of money when allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.

Areas of significant judgements

The following are key judgements and estimates which the Company applied as a result of IFRS 17. The Company has elected to determine cumulative results for each interim reporting period, and estimates made by the Company in previous interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

Discount rates

The Company has used the bottom-up approach to derive the discount rates for all groups of contracts. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for country risk premium and 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 significant area of judgement is deriving the illiquidity premium which is required to adjust the risk-free yield curve. The risk-free curve itself will either be derived by the Company from risk free assets in the market, or the Company may choose to apply a published risk-free curve.

3 Significant accounting policies *(continued)*

Newly effective standards (continued)

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Risk adjustment

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach which is under management assessment.

The methodology proposed is based on a mix of results of Company's own experience variability and the Value at Risk (“VaR”) approach in line with Solvency II. The Appointed Actuary will calibrate the parameters of the distribution based on the experience and credibility of the historical data. The level of percentile has been decided by the Company and can be amended at a later stage if required. The diversification benefit has been allowed for in the estimation of RA driven by the mix of business and the expected correlations between them.

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied. The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition. If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flow.

Contractual Service Margin and Coverage units

For long term Individual Life contracts, measured under the GMM, the Company recognises a contractual service margin (CSM) which represents the unearned profit the Company will earn as it provides service under those contracts. A coverage units methodology will be used for the release of the CSM. Based on the benefit for the policy holders, the applicable CSM release pattern will be determined by using coverage unit methodology which will reflect the benefit defined in the insurance contracts with the policy holders. The coverage units will be determined based upon the sum assured.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group. The period covered by the premiums within the contract boundary is the "coverage period', which is relevant when applying IFRS 17 requirements.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company can compel the policyholder to pay premium or has a substantive obligation to provide services. For reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligation that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Judgement might be required to assess the Company’s practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

3 Significant accounting policies *(continued)*

Newly effective standards (continued)

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) *(continued)*

Measurement of expenses

The Company has defined acquisition expenses as the costs of selling, underwriting and starting issuing a group of insurance contracts as per IFRS 17 requirements. The Company has defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

Insurance acquisition cash flows (commissions and premium taxes) allocated to a group are deferred and recognised over the coverage period of contracts.

Under IFRS 17, attributable costs refer to costs that are either fully or partially related to insurance operations. These costs are allocated to the group of insurance contracts level, while non-allocable expenses are recognised directly in the profit and loss account. The allocation of expenses must be done systematically and rationally, reflecting the transfer of services provided by the insurer over the coverage period. An assumption ratio of 90:10 is considered to allocate the expenses between attributable and not attributable expenses under IFRS 17.

Both acquisition and attributable costs fall under the insurance service expense, while the non-attributable costs are reported under other operating expenses.

Impact on presentation and disclosures on transition to IFRS 17

In the statement of financial position, deferred acquisition costs and insurance related receivables are no longer to be presented separately and are part of the insurance liabilities. This change in presentation led to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of comprehensive income is disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

The impact on the Company's financial information on adoption of IFRS 17 is summarised as below:

	AED '000	
Equity	**1 January 2023**	**1 January 2022**
Balance under IFRS 4	123,148	124,303
Restated balance under IFRS 17	121,393	118,396
Transition Impact	1,755	5,907
- Change in prudence	(9,959)	(4,970)
- New risk adjustment	1,270	1,904
- CSM Adjustment	10,444	8,973
Transition impact (Percentage)	1%	5%

4 Financial assets at fair value through other comprehensive income

	(Unaudited) **31 March 2023** **AED'000**	*(Audited)* 31 December 2022 AED'000
Quoted bonds:		
UAE-based corporate	**19,385**	22,732
UAE-based government	**30,177**	22,737
	49,562	45,469
Quoted sukuk:		
UAE-based corporate	**8,376**	11,917
UAE-based government	**10,152**	10,165
	18,528	22,082
Quoted equity instruments:		
UAE-based quoted equities	**930**	886
Non-UAE private debt fund	**7,831**	7,648
	8,761	8,534
Non-UAE private debt fund:	**1,148**	1,148
	77,999	77,233

5 Financial assets at fair value through profit or loss

	(Unaudited) **31 March 2023** **AED'000**	*(Audited)* 31 December 2022 AED'000
UAE-based quoted equities	**7,294**	7,038
UAE-based quoted corporate debt instruments	**6,761**	7,353
	14,055	14,391

HAYAH Insurance Company P.J.S.C.

Notes to the condensed interim financial information

6 Insurance and reinsurance contract assets and liabilities

The following reconciliations that are required by IFRS 17 are included below, separately for consumer and commercial lines for contracts issued and reinsurance contracts held.

Reconciliation of the gross liability for remaining coverage and the liability for incurred claims – Applicable to contracts measured under the PAA and GMM as at:

31 March 2023

	LRC		*LIC*			
Insurance contracts issued	***Excluding loss component AED'000***	***Loss component AED'000***	***BBA AED'000***	***Present value of future cash flows AED'000***	***Risk adjustment for non-financial risk AED'000***	***Total AED'000***
Opening insurance contract liabilities	**25,172**	**2,209**	**1,953**	**14,091**	**778**	**44,203**
Opening insurance contract assets	**460**	**-**	**-**	**-**	**-**	**460**
Opening balance as at 1 January	**24,712**	**2,209**	**1,953**	**14,091**	**778**	**43,743**
Insurance revenue	**(20,033)**	**-**	**-**	**-**	**-**	**(20,033)**
Insurance service expenses						
Incurred claims and other directly attributable expenses	**-**	**(26)**	**760**	**25,730**	**(144)**	**26,320**
Insurance acquisition cash flows amortisation	**1,469**	**-**	**-**	**-**	**-**	**1,469**
Increase in existing incurred claims reserves	**-**	**-**	**-**	**(8,248)**	**192**	**(8,056)**
Claims accrual	**-**	**-**	**(517)**	**-**	**-**	**(517)**
Losses on contracts and reversals of losses	**-**	**2,809**	**-**	**-**	**-**	**2,809**
Total insurance service expenses	**1,469**	**2,783**	**243**	**17,482**	**48**	**22,025**
Investment components	**(901)**	**-**	**901**	**-**	**-**	**-**
Insurance service result	**(19,465)**	**2,783**	**1,144**	**17,482**	**48**	**1,992**
Insurance finance (income) and expenses	**425**	**8**	**-**	**80**	**-**	**513**
Total amounts recognised in comprehensive income	**(19,040)**	**2,791**	**1,144**	**17,562**	**48**	**2,505**
Total cash flows	**25,199**	**-**	**(760)**	**(18,504)**	**-**	**5,935**
Closing balance as at 31 March						
Closing insurance contract liabilities	**38,498**	**4,987**	**2,264**	**10,931**	**758**	**57,438**
Closing insurance contract assets	**7,627**	**(13)**	**(73)**	**(2,218)**	**(68)**	**5,255**

6 Insurance and reinsurance contract assets and liabilities *(continued)*

Reconciliation of the reinsurance contract liabilities and assets – Applicable to contracts measured under the PAA and GMM as at:

31 March 2023

	LRC		*LIC*			
Reinsurance contracts issued	*Excluding loss component AED'000*	*Loss component AED'000*	*BBA AED'000*	*Present value of future cash flows AED'000*	*Risk adjustment for non-financial risk AED'000*	*Total AED'000*
Opening reinsurance contract liabilities	39	-	-	-	-	39
Opening reinsurance contract assets	3,532	423	-	12,433	368	16,756
Opening balance as at 1 January	(3,493)	(423)	-	(12,433)	(368)	(16,717)
Reinsurance revenue	4,792	-	-	-	-	4,792
Reinsurance service expenses						
Incurred claims and other directly attributable expenses	-	31	(55)	(8,090)	56	(8,057)
Insurance acquisition cash flows amortisation	(224)	-	-	-	-	(224)
Increase in existing incurred claims reserves	-	-	-	3,390	(77)	3,313
Claims accrual	-	-	(123)	-	-	(123)
Losses on contracts and reversals of losses	-	(1,797)	-	-	-	(1,797)
Total reinsurance service expenses	(224)	(1,766)	(178)	(4,700)	(21)	(6,889)
Investment components	-	-	-	-	-	-
Reinsurance service result	4,568	(1,766)	(178)	(4,700)	(21)	(2,097)
Reinsurance finance income and (expenses)	(73)	(18)	-	(67)	-	(158)
Total amounts recognised in comprehensive income	4,495	(1,784)	(178)	(4,767)	(21)	(2,255)
Total cash flows	(12,585)	-	55	12,400	-	(130)
Closing balance as at 31 March						
Closing reinsurance contract liabilities	39	-	(2)	-	-	37
Closing reinsurance contract assets	11,622	2,207	121	4,800	389	19,139

6 Insurance and reinsurance contract assets and liabilities *(continued)*

The following reconciliations that are required by IFRS 17 are included below, separately for consumer and commercial lines for contracts issued and reinsurance contracts held.

Reconciliation of the gross liability for remaining coverage and the liability for incurred claims – Applicable to contracts measured under the PAA and GMM as at:

31 March 2022 (Restated)

	LRC		*LIC*			
Insurance contracts issued	*Excluding loss component AED'000*	*Loss component AED'000*	*BBA AED'000*	*Present value of future cash flows AED'000*	*Risk adjustment for non-financial risk AED'000*	*Total AED'000*
Opening insurance contract liabilities	38,892	3,355	2,262	9,462	697	54,668
Opening insurance contract assets	-	-	-	-	-	-
Opening balance as at 1 January	38,892	3,355	2,262	9,462	697	54,668
Insurance revenue	(12,563)	-	-	-	-	(12,563)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(86)	1,594	4,832	(142)	6,198
Insurance acquisition cash flows amortisation	824	-	-	-	-	824
Increase in existing incurred claims reserves	-	-	-	499	(169)	330
Claims accrual	-	-	454	-	-	454
Losses on contracts and reversals of losses	-	(2,295)	-	-	-	(2,295)
Total insurance service expenses	824	(2,381)	2,048	5,331	(311)	5,511
Investment components	-	-	-	-	-	-
Insurance service result	(11,739)	(2,381)	2,048	5,331	(311)	(7,052)
Insurance finance (income) and expenses	(329)	9	-	28	-	(292)
Total amounts recognised in comprehensive income	(12,068)	(2,372)	2,048	5,359	(311)	(7,344)
Total cash flows	17,016	-	(1,594)	(7,622)	-	7,800
Closing balance as at 31 March						
Closing insurance contract liabilities	52,177	983	2,716	3,880	229	59,985
Closing insurance contract assets	8,337	-	-	(3,319)	(157)	4,861

6 Insurance and reinsurance contract assets and liabilities *(continued)*

Reconciliation of the reinsurance contract liabilities and assets– Applicable to contracts measured under the PAA and GMM as at:

31 March 2022 (Restated)

	LRC		*LIC*			
Reinsurance contracts issued	*Excluding loss component AED'000*	*Loss component AED'000*	*BBA AED'000*	*Present value of future cash flows AED'000*	*Risk adjustment for non-financial risk AED'000*	*Total AED'000*
Opening reinsurance contract liabilities	169	-	-	-	-	169
Opening reinsurance contract assets	880	178	-	4,139	324	5,521
Opening balance as at 1 January	(711)	(178)	-	(4,139)	(324)	(5,352)
Reinsurance revenue	3,367	-	-	-	-	3,367
Reinsurance service expenses						
Incurred claims and other directly attributable expenses	-	12	-	(3,871)	235	(3,624)
Insurance acquisition cash flows amortisation	(222)	-	-	-	-	(222)
Increase in existing incurred claims reserves	-	-	-	3,374	(25)	3,349
Claims accrual	-	-	-	-	-	-
Losses on contracts and reversals of losses	-	(186)	-	-	-	(186)
Total reinsurance service expenses	(222)	(174)	-	(497)	210	(683)
Investment components	-	-	-	-	-	-
Reinsurance service result	3,145	(174)	-	(497)	210	2,684
Reinsurance finance income and (expenses)	17	(1)	-	(23)	-	(7)
Total amounts recognised in comprehensive income	3,162	(175)	-	(520)	210	2,677
Total cash flows	(5,754)	-	-	(1,741)	-	(7,495)
Closing balance as at 31 March						
Closing reinsurance contract liabilities	315	-	-	-	-	315
Closing reinsurance contract assets	3,618	353	-	6,400	114	10,486

6 Insurance and reinsurance contract assets and liabilities *(continued)*

The following reconciliations that are required by IFRS 17 are included below, separately for consumer and commercial lines for contracts issued and reinsurance contracts held.

Reconciliation of the gross liability for remaining coverage and the liability for incurred claims – Applicable to contracts measured under the PAA and GMM as at:

31 December 2022 (Restated)

	LRC		*LIC*			
Insurance contracts issued	*Excluding loss component AED'000*	*Loss component AED'000*	*BBA AED'000*	*Present value of future cash flows AED'000*	*Risk adjustment for non-financial risk AED'000*	*Total AED'000*
Opening insurance contract liabilities	38,892	3,355	2,262	9,462	697	54,668
Opening insurance contract assets	-	-	-	-	-	-
Opening balance as at 1 January	38,892	3,355	2,262	9,462	697	54,668
Insurance revenue	(71,739)	-	-	-	-	(71,739)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(341)	5,971	68,343	98	74,071
Insurance acquisition cash flows amortisation	5,484	-	-	-	-	5,484
Increase in existing incurred claims reserves	-	-	-	(8,264)	(17)	(8,281)
Claims accrual	-	-	(309)	-	-	(309)
Losses on contracts and reversals of losses	-	(842)	-	-	-	(842)
Total insurance service expenses	5,484	(1,183)	5,662	60,079	81	70,123
Investment components	-	-	-	-	-	-
Insurance service result	(66,255)	(1,183)	5,662	60,079	81	(1,616)
Insurance finance (income) and expenses	(679)	37	-	47	-	(595)
Total amounts recognised in comprehensive income	(66,934)	(1,146)	5,662	60,126	81	(2,211)
Total cash flows	52,574	-	(5,971)	(55,497)	-	(8,714)
Closing balance as at 31 December						
Closing insurance contract liabilities	25,172	2,209	1,953	14,091	778	44,203
Closing insurance contract assets	460	-	-	-	-	460

6 Insurance and reinsurance contract assets and liabilities *(continued)*

Reconciliation of the reinsurance contract liabilities and assets – Applicable to contracts measured under the PAA and GMM as at:

31 December 2022 (Restated)

Reinsurance contracts issued	*LRC* Excluding loss component AED'000	*LRC* Loss component AED'000	*LIC* BBA AED'000	*LIC* Present value of future cash flows AED'000	*LIC* Risk adjustment for non-financial risk AED'000	Total AED'000
Opening reinsurance contract liabilities	169	-	-	-	-	169
Opening reinsurance contract assets	880	178	-	4,139	324	5,521
Opening balance as at 1 January	(711)	(178)	-	(4,139)	(324)	(5,352)
Reinsurance revenue	15,520	-	-	-	-	15,520
Reinsurance service expenses						
Incurred claims and other directly attributable expenses	-	55	(242)	(23,484)	(52)	(23,724)
Insurance acquisition cash flows amortisation	(866)	-	-	-	-	(866)
Increase in existing incurred claims reserves	-	-	-	3,736	8	3,744
Claims accrual	-	-	-	-	-	-
Losses on contracts and reversals of losses	523	(294)	-	-	-	229
Total reinsurance service expenses	(343)	(239)	(242)	(19,748)	(44)	(20,616)
Investment components	-	-	-	-	-	-
Reinsurance service result	15,177	(239)	(242)	(19,748)	(44)	(5,096)
Reinsurance finance income and (expenses)	122	(6)	-	(18)	11	98
Total amounts recognised in comprehensive income	15,299	(245)	(242)	(19,766)	(44)	-4,998
Total cash flows	(18,081)	-	242	11,472	-	(6,367)
Closing balance as at 31 December						
Closing reinsurance contract liabilities	39	-	-	-	-	39
Closing reinsurance contract assets	3,532	423	-	12,433	368	16,756

6 Insurance and reinsurance contract assets and liabilities *(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	2	3	4	5	>6
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
31 March 2023						
Total CSM	**1,451**	**1,561**	**1,215**	**973**	**798**	**3,868**
31 December 2022 *(Restated)*						
Total CSM	1,979	1,552	1,213	975	804	3,922

6 Insurance and reinsurance contract assets and liabilities *(continued)*

Breakup of insurance and reinsurance contract balances measured under both PAA and GMM as at

31 March 2023

AED'000

	PAA	*GMM*	*Total (Unaudited)*
Insurance contract assets	**4,718**	**537**	**5,255**
Insurance contract liabilities	**(31,365)**	**(26,073)**	**(57,438)**
Reinsurance contract assets	**16,445**	**2,694**	**19,139**
Reinsurance contract liabilities	**-**	**(37)**	**(37)**
	(10,202)	**(22,879)**	**(33,081)**

31 December 2022

AED'000

	PAA	*GMM*	*Total (Restated) (Unaudited)*
Insurance contract assets	-	460	460
Insurance contract liabilities	(17,059)	(27,144)	(44,203)
Reinsurance contract assets	14,628	2,128	16,756
Reinsurance contract liabilities	-	(39)	(39)
	(2,431)	(24,595)	(27,026)

7 Statutory deposits

In accordance with the requirements of Federal Law No. (6) of 2007, concerning Insurance Companies and Agencies, the Company maintains bank deposits of AED 4,000 thousand (*31 December 2022: AED 4,000 thousand)*, as a guarantee against its Insurance of Persons and Fund Accumulation Operations License (medical and life). These deposits cannot be utilised without the consent of Central Bank of UAE.

The statutory deposits are held with local commercial banks and carry interest at the rate of 4.91% to 4.98% per annum *(31 December 2022: 0.25% to 4.75% per annum)*.

8 Cash and cash equivalents

For the purpose of condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	(Unaudited) **31 March 2023** **AED'000**	*(Audited)* 31 December 2022 AED'000
Statutory deposits *(Note 7)*	**4,000**	4,000
Time deposits	**30,028**	37,028
Demand deposits and cash	**13,359**	11,977
Bank balances and cash	**47,387**	53,005
Less: statutory deposits	**(4,000)**	(4,000)
Less: deposits with original maturities of three months or more	**(30,028)**	(37,028)
Cash and cash equivalents	**13,359**	11,977

At 31 March 2023, bank deposits carry an effective interest rate of 4.91% to 4.98% per annum *(31 December 2022: 3.90% to 4.75% per annum)*. All bank balances and deposits are held with local banks in United Arab Emirates.

9 Insurance payables and other accruals

	(Unaudited) **31 March 2023** **AED'000**	*(Restated)* *(Audited)* 31 December 2022 AED'000
VAT payable	**72**	2
Other payables	**10,933**	16,772
	11,005	16,774

10 Investment and other income

	(Unaudited) **Three-month period ended 31 March 2023** **AED'000**	*(Unaudited)* Three-month period ended 31 March 2022 AED'000
Financial assets carried at fair value		
Dividend income	**52**	73
Interest income	**530**	841
Bonds premium amortisation	**567**	(123)
(Loss) / gain on sale of financial assets	**(243)**	39
Fair value (loss) / gain on financial assets at fair value through profit or loss	**(335)**	853
Charge for impairment loss on debt instrument at fair value through other comprehensive income (FVOCI)	**(12)**	4
Term deposits		
Interest income	**340**	114
Oher income	-	35
	899	1,836

11 Earning per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the earning for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the earnings and shares data used in the earnings per share computations:

	(Unaudited) **Three-month period ended 31 March 2023**	*(Restated)* *(Unaudited)* Three-month period ended 31 March 2022
Profit for the period (AED'000)	**237**	5,760
Weighted average number of ordinary shares (shares in '000)	**200,000**	200,000
Earning per share for the period – basic and diluted (AED)	**0.001**	0.029

12 Related party transactions and balances

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the condensed interim statement of financial position are as follows:

	(Unaudited) **31 March 2023 AED'000**	*(Restated) (Audited)* 31 December 2022 AED'000
Due from KANOO Group LLC *(major shareholder)* Medical Premium *(Included in insurance contract liabilities as part of presentation requirement of IFRS 17)*	**1,688**	3,632
Total due from related parties	**1,688**	3,632

Transactions with related parties during the period are as follows:

	(Unaudited) **Three-month period ended 31 March 2023 AED'000**	*(Restated) (Unaudited)* Three-month period ended 31 March 2022 AED'000
Medical business with KANOO Group LLC *(major shareholder)*		
- Gross written premiums	**1,571**	8,209
- Claims paid	**(2,063)**	-

Compensation of key management personnel:

The remuneration of key management personnel during the period is as follows:

Short term benefits	**224**	184
Employees' end of service benefits	**17**	16

13 Contingencies and commitments

Contingencies

As at 31 March 2023, the Company had contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 2,000 thousand *(31 December 2022: AED 2,000 thousand)*.

Commitments

No estimated capital call commitments contracted for at the statement of financial position date *(31 December 2022: AED 144 thousand)*.

14 Fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

14 Fair value of financial instruments *(continued)*

Financial assets measured at fair value

At 31 March 2023 (Unaudited)	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
At fair value through profit or loss				
Quoted equities	**6,761**	**-**	**-**	**6,761**
Quoted debt instruments	**7,294**	**-**	**-**	**7,294**
	14,055	**-**	**-**	**14,055**
At fair value through other comprehensive income				
Quoted equities	**930**	**-**	**-**	**930**
Mutual funds	**-**	**7,831**	**-**	**7,831**
Quoted debt instruments	**56,480**	**11,610**	**-**	**68,090**
Private debt fund	**-**	**-**	**1,148**	**1,148**
	57,410	**19,441**	**1,148**	**77,999**
	71,466	**19,441**	**1,148**	**92,055**

At 31 December 2022 (Restated) (Audited)	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
At fair value through profit or loss				
Quoted equities	7,038	-	-	7,038
Quoted debt instruments	7,353	-	-	7,353
	14,391	-	-	14,391
At fair value through other comprehensive income				
Quoted equities	886	-	-	886
Mutual funds	-	7,648	-	7,648
Quoted debt instruments	55,957	11,594	-	67,551
Private debt fund	-	-	1,148	1,148
	56,843	19,242	1,148	77,233
	71,234	19,242	1,148	91,624

For investment in private fund, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. The valuation of this debt fund qualifies as Level 3 fair value measurement. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period. Except for the above, management considers that the carrying amounts of financial assets recognised in the financial statements approximate their fair values.

15 Segment information

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

- The medical insurance segment that provides medical cover to policyholders; and
- The life insurance segment offers term life assurance products.

No inter-segment transactions occurred in 2023 and 2022.

Segment condensed interim statement of income for the three-month period ended 31 March 2023 *(Unaudited)* is presented below:

AED'000	*Medical*	*Life*	*Total*
Insurance revenue	**3,832**	**16,201**	**20,033**
Insurance service expenses	**(4,507)**	**(17,518)**	**(22,025)**
Insurance service result before reinsurance contracts held	**(675)**	**(1,317)**	**(1,992)**
Net expense/ income from reinsurance contracts held	**-**	**2,097**	**2,097**
Total insurance service result	**(675)**	**780**	**105**
Insurance finance expense	**(24)**	**(489)**	**(513)**
Reinsurance Investment Result	**-**	**158**	**158**
Investment Income			**899**
Other expenses			**(412)**
Net Profit			**237**

For the three-month period ended 31 March 2022 *(Restated) (Unaudited)* is presented below:

AED'000	*Medical*	*Life*	*Total*
Insurance revenue	1,092	11,471	12,563
Insurance service expenses	(1,523)	(3,988)	(5,511)
Insurance service result before reinsurance contracts held	(431)	7,483	7,052
Net expense/ income from reinsurance contracts held	-	(2,684)	(2,684)
Total insurance service result	(431)	4,799	4,368
Insurance finance expense	3	(295)	(292)
Reinsurance Investment Result	-	7	7
Investment Income			1,836
Other expenses			(743)
Net Profit			5,760

15 Segment information *(continued)*

Below is the breakup of insurance revenue as per PAA and GMM:

AED' 000	**31 March 2023**	31 March 2022
Expected claims and expenses excluding investment component over the period excluding loss comp	**1,174**	1,272
Expected release of risk adjustment over the period excluding loss comp	**88**	99
CSM Release	**612**	125
Acquisition Expenses recovered from premiums	**40**	6
Insurance revenue from contracts not measured under the PAA	**1,914**	1,502
Insurance revenue from contracts measured under the PAA	**18,119**	11,061
Total Insurance Revenue	**20,033**	12,563

Insurance and reinsurance assets and liabilities - Applicable to all measurement models as at

31 March 2023 (Unaudited)

AED'000	*Medical*	*Life*	*Total*
Total assets			
Insurance contract assets	**4,718**	**537**	**5,255**
Reinsurance contract assets	**-**	**19,139**	**19,139**
Unallocated	**-**	**-**	**168,268**
Total			**192,662**
Total liabilities			
Insurance contract liabilities	**1,702**	**55,736**	**57,438**
Reinsurance contract liabilities	**-**	**37**	**37**
Unallocated	**-**	**-**	**13,119**
Total			**70,594**

31 December 2022 (Restated) (Unaudited)

AED'000	*Medical*	*Life*	*Total*
Total assets			
Insurance contract assets	-	460	460
Reinsurance contract assets	-	16,756	16,756
Un allocated	-	-	166,936
Total			184,152
Total liabilities			
Insurance contract liabilities	2,637	41,566	44,203
Reinsurance contract liabilities	-	39	39
Unallocated	-	-	18,517
Total			62,759

16 Credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates are being reviewed continuously by the Company's regional investments team.

17 Capital risk management

The solvency regulations identify the required solvency margins to be held in addition to insurance liabilities. The solvency margins (presented in the table below) must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the period. The Company has incorporated in its policies and procedures, the necessary tests to ensure continuous and full compliance with such regulations.

The table below summaries 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 as defined in the regulations.

	31 December 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**19,720**	21,311
Minimum Guarantee Fund (MGF)	**74,382**	44,020
Basic Own Funds	**114,952**	119,648
MCR Solvency Margin – Surplus	**14,952**	19,648
SCR Solvency Margin – Surplus	**95,232**	98,337
MGF Solvency Margin – Surplus	**40,570**	75,628

18 General

This condensed interim financial information of the Company was approved for issuance by the Board of Directors on 31 May 2023.