

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS’
REVIEW REPORT (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM
CONDENSED FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF CHUBB ARABIA COOPERATIVE INSURANCE
COMPANY (A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Chubb Arabia Cooperative Insurance Company** (the "Company") as at 31 March 2023, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for three month period ended then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express conclusion on these interim condensed financial statements based on our review.

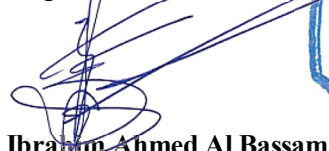
Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, as endorsed in the Kingdom of Saudi Arabia. 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 as endorsed in the Kingdom of Saudi Arabia 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Al-Bassam & Co.
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia



Ibrahim Ahmed Al Bassam
Certified Public Accountant
Licence No. 337



4 Dhul Hijjah 1444H
22 June 2023G

KPMG Professional Services
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Al Khobar 31952
Kingdom of Saudi Arabia



Abdulaziz Abdullah Alnaim
Certified Public Accountant
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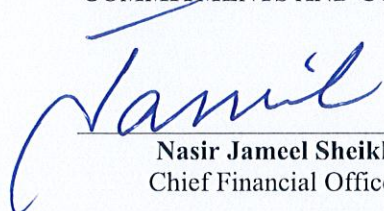
CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

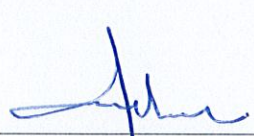
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	31 March 2023 (Unaudited)	31 December 2022 (Restated - Note 5) (Unaudited)	1 January 2022 (Restated - Note 5) (Unaudited)
<u>ASSETS</u>				
Cash and cash equivalents	6	26,211,027	24,919,814	186,043,885
Term deposits	7	243,331,053	243,331,053	57,236,755
Investments	8	134,561,425	133,933,038	139,183,238
Prepaid expenses and other assets		31,598,672	24,616,937	21,307,634
Reinsurance contract assets	9,15	260,867,497	189,641,217	139,062,929
Property and equipment		2,570,862	2,704,838	2,323,765
Intangible assets		5,693,001	4,407,414	2,798,598
Goodwill	13	43,774,750	43,774,750	43,774,750
Statutory deposit	12	30,000,000	30,000,000	30,000,000
Accrued income on statutory deposit		3,072,724	2,862,640	2,406,669
TOTAL ASSETS		781,681,011	700,191,701	624,138,223
<u>LIABILITIES AND EQUITY</u>				
<u>LIABILITIES</u>				
Accrued expenses and other liabilities		14,386,590	10,961,081	11,202,769
Insurance contract liabilities	9,15	336,291,615	264,231,802	194,470,502
End-of-service indemnities		11,931,822	11,782,946	10,968,262
Zakat and income tax payable	17	16,710,857	15,550,754	19,305,244
Accrued income on statutory deposit		3,072,724	2,862,640	2,406,669
TOTAL LIABILITIES		382,393,608	305,389,223	238,353,446
<u>EQUITY</u>				
Share capital	14	300,000,000	300,000,000	300,000,000
Statutory reserve		41,668,491	40,867,123	39,927,701
Retained earnings		27,329,724	24,124,254	12,626,925
Investments fair value reserve	8	33,663,757	33,185,670	36,393,033
Re-measurement reserve on end-of-service indemnities		(3,374,569)	(3,374,569)	(3,162,882)
TOTAL EQUITY		399,287,403	394,802,478	385,784,777
TOTAL LIABILITIES AND EQUITY		781,681,011	700,191,701	624,138,223

COMMITMENTS AND CONTINGENCIES 19


Nasir Jameel Sheikh
Chief Financial Officer


Abdulaziz Elkhareiji
Chief Executive Officer


Eng. Nabil Yosuf Jokhdar
Chairman

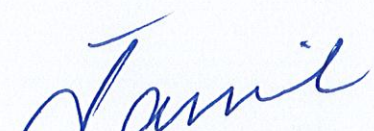
The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

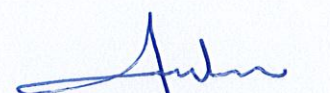
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	For the three-month period ended 31 March	
		2023	2022
		(Unaudited)	(Restated – Note 5) (Unaudited)
Insurance revenue	10	75,775,449	72,126,551
Insurance service expenses	10	(93,461,880)	(24,227,998)
Net income / (expenses) from reinsurance contracts held	10	18,148,107	(40,303,351)
Insurance service result		461,676	7,595,202
Commission income on deposits		3,167,665	726,631
Net fair value gain on investments on FVTPL	8	150,300	1,179,586
Investment income on financial assets at FVOCI		494,854	340,408
Dividend income		370,747	167,298
Net investment return		4,183,566	2,413,923
Net finance (expenses) / income from insurance contracts	15	(2,142,958)	1,086,320
Net finance income / (expenses) from reinsurance contracts	15	1,784,575	(928,033)
Net financial (expense) / income		(358,383)	158,287
Other income		4,198,396	197,890
Other operating expenses		(3,318,314)	(2,736,907)
Income for the period attributed to the shareholders before zakat and income tax		5,166,941	7,628,395
Zakat	17	(846,465)	(621,543)
Income tax	17	(313,638)	(159,101)
Net income for the period attributable to shareholders		4,006,838	6,847,751
Earnings per share (expressed in SR per share)			
Basic and diluted earnings per share	18	0.13	0.23
Weighted average number of outstanding shares	14	30,000,000	30,000,000


Nasir Jameel Sheikh
Chief Financial Officer


Abdulaziz Elkhreiji
Chief Executive Officer

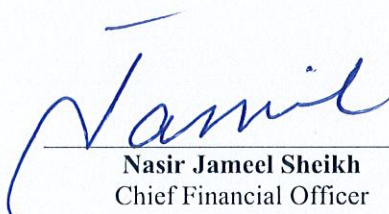

Eng. Nabil Yosuf Jokhdar
Chairman

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

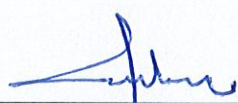
	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Restated–Note 5) (Unaudited)
Net income for the period attributable to shareholders	4,006,838	6,847,751
Other comprehensive income / (loss)		
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>		
Net changes in fair value of investments measured at FVOCI – debt instruments	478,087	(2,570,344)
Total other comprehensive income / (loss)	478,087	(2,570,344)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,484,925	4,277,407



Nasir Jameel Sheikh
Chief Financial Officer



Abdulaziz Elkhareiji
Chief Executive Officer



Eng. Nabil Yousuf Jokhdar
Chairman

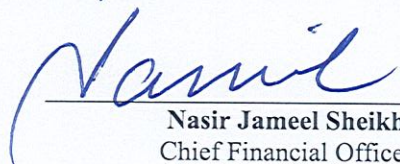
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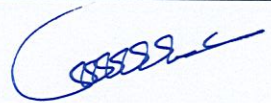
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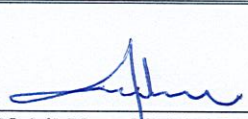
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Investments fair value reserve	Re-measurement reserve on end-of-service indemnities	Total equity
Balance as at 31 December 2021, as previously reported (audited)	300,000,000	39,927,701	19,936,815	-	(3,162,882)	356,701,634
Impact of initial application of IFRS 17 (Refer note 5)	-	-	(6,017,339)	-	-	(6,017,339)
Impact of initial application of IFRS 9 (Refer note 5)	-	-	(1,292,551)	36,393,033	-	35,100,482
Balance as at 1 January 2022 - Restated (unaudited)	300,000,000	39,927,701	12,626,925	36,393,033	(3,162,882)	385,784,777
Total comprehensive income / (loss) for the period						
Net income for the period attributable to the shareholders	-	-	6,847,751	-	-	6,847,751
Other comprehensive loss for the period	-	-	-	(2,570,344)	-	(2,570,344)
Total comprehensive income / (loss) for the period - Restated	-	-	6,847,751	(2,570,344)	-	4,277,407
Transfer to statutory reserve	-	250,746	(250,746)	-	-	-
Balance as at 31 March 2022 (unaudited)	300,000,000	40,178,447	19,223,930	33,822,689	(3,162,882)	390,062,184
Balance as at 1 January 2023 Restated – (unaudited)	300,000,000	40,867,123	24,124,254	33,185,670	(3,374,569)	394,802,478
Total comprehensive income for the period						
Net profit for the period attributable to the shareholders	-	-	4,006,838	-	-	4,006,838
Other comprehensive income for the period	-	-	-	478,087	-	478,087
Total comprehensive income for the period	-	-	4,006,838	478,087	-	4,484,925
Transfer to statutory reserve	-	801,368	(801,368)	-	-	-
Balance as at 31 March 2023 (unaudited)	300,000,000	41,668,491	27,329,724	33,663,757	(3,374,569)	399,287,403


Nasir Jameel Sheikh
Chief Financial Officer


Abdulaziz Elkhareiji
Chief Executive Officer


Eng. Nabil Yosuf Jokhdar
Chairman

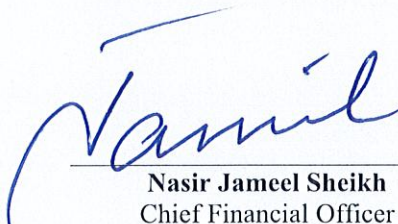
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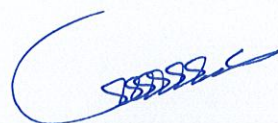
CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
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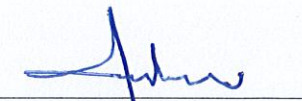
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

	For the three-month period ended 31 March	
	2023	2022
	(Unaudited)	(Restated–Note 5) (Unaudited)
Cash flow from operating activities		
Net income before zakat and income tax for the period	5,166,941	7,628,395
Adjustments for:		
Depreciation of property and equipment	199,971	154,604
Amortization of intangible assets	221,413	58,017
Fair value gain on investments at FVTPL	(150,300)	(1,179,586)
Provision for end-of-service indemnities	473,051	429,321
	<u>5,911,076</u>	<u>7,090,751</u>
Changes in:		
Prepaid expenses and other assets	(6,981,735)	(1,828,460)
Reinsurance contract assets	(71,226,280)	16,564,017
Insurance contract liabilities	72,059,813	(5,874,163)
Accrued expenses and other liabilities	3,425,509	(1,827,702)
Cash generated from operations	<u>3,188,383</u>	<u>14,124,443</u>
End-of-service indemnities paid	(324,175)	(22,966)
Net cash generated from operating activities	<u>2,864,208</u>	<u>14,101,477</u>
Cash flows from investing activities		
Additions to property and equipment	(65,995)	(89,700)
Addition to intangible assets	(1,507,000)	(637,383)
Addition in term deposits	-	(47,074,018)
Proceeds from disposal of investment at FVOCI	-	3,093,703
Addition in investments at FVTPL	-	(1,240,576)
Addition in investments at FVOCI	-	(3,375,000)
Net cash used in investing activities	<u>(1,572,995)</u>	<u>(49,322,974)</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,291,213</u>	<u>(35,221,497)</u>
Cash and cash equivalents at 1 January	<u>24,919,814</u>	<u>186,043,885</u>
Cash and cash equivalents at 31 March	<u>26,211,027</u>	<u>150,822,388</u>


Nasir Jameel Sheikh
Chief Financial Officer


Abdulaziz Elkhareiji
Chief Executive Officer


Eng. Nabil Yosuf Jokhdar
Chairman

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Chubb Arabia Cooperative Insurance Company (“the Company”) is a Saudi Joint Stock Company registered on 28 Rajab 1430H (corresponding to 21 July 2009) under commercial registration number 2050066029 which was later amended to 2051043431 dated 9 Sha’aban 1431H (corresponding to 21 July 2010), issued in Al-Khobar, Kingdom of Saudi Arabia. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

The activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 21 Dhul-Hijjah, 1430H (corresponding to 8 December 2009), the Company received the license from Saudi Central Bank (“SAMA”) to transact insurance business in the Kingdom of Saudi Arabia.

Surplus from insurance operations is distributed in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

The Company has adopted IFRS 17 – Insurance Contracts (“IFRS 17”) and IFRS 9 – Financial Instruments (“IFRS 9”) on 1 January 2023 (effective date for initial application). Refer note 5 for details regarding impact of adoption of IFRS 17 and IFRS 9 on assets, liabilities and equity.

2. ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company started its insurance operations on 1 February 2010. The Company acquired the insurance portfolio and the net assets of Ace Arabia Insurance Company BSC and International Insurance Company BSC with effect from 1 January 2009 as set forth in SAMA’s guidelines in this respect, following the approval on the transfer from the respective authorities in the year 2012.

3. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”). This is the first set of the Company’s condensed interim financial statements in which IFRS 17 and IFRS 9, that are endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in note 3 and 4 respectively.

The Company’s statement of interim condensed financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as non-current: investments, property and equipment, intangible asset, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service indemnities, certain engineering related insurance and reinsurance contracts and accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for insurance operations and shareholders’ operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation (continued)

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2022. The interim condensed financial statements may not be considered indicative of the expected results for the full year. Comparative information was restated due to the adoption of IFRS 17 and IFRS 9. The impact of restatements / reclassifications have been presented in note 5.

Amounts in these interim condensed financial statements are expressed in Saudi Arabian Riyals ("SR") which is the Company's functional and presentation currency. Figures have been rounded off to the nearest Riyal, unless otherwise stated.

(b) Seasonality of operations

There are no seasonal changes that might affect insurance operations of the Company.

(c) Critical accounting judgements estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In preparing these interim condensed financial statements, the significant judgments, estimated and assumptions made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2022 except for points (i) to (vi) below, which changed upon adoption of IFRS 17 and IFRS 9.

Following are the accounting judgments and estimates that are critical in preparation of these condensed interim financial statements:

i) Estimates of future cash flows to fulfil insurance contracts

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experiences, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. BASIS OF PREPARATION (CONTINUED)

(c) Critical accounting judgements estimates and assumptions (continued)

i) Estimates of future cash flows to fulfil insurance contracts (continued)

When estimating future cash flows, the Company considers current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not considered until the change in legislation is substantively enacted.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts on a systematic basis. The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts as per the requirements of IFRS 17 and guidelines received from local regulator.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

ii) Discounting methodology

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The Company adopts a bottom-up approach. Cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company determines the risk-free rates using EIOPA rates denominated in USD and adjusted for the country risk premium. There rates are adjusted to reflect the liquidity characteristics of the group of insurance contracts. Discount rates range from 3.9% to 6.0% have been used for discounting liability for incurred claims ("LIC"). There is no allowance for the time value of money for liability for remaining coverage ("LRC").

iii) Risk adjustment for non-financial risks

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

Bootstrapping and Mack's Chain Ladder methods are considered for the estimation of the risk adjustment. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

The confidence level approach is used and the risk adjustment is calculated at the 75th percentile (the target confidence level) where applicable, keeping the level of confidence in a range from 70th to 80th otherwise.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. BASIS OF PREPARATION (CONTINUED)

(c) Critical accounting judgements estimates and assumptions (continued)

iv) Onerosity determination

For contracts measured using the PAA, the Company shall assume that no contracts in a portfolio of insurance contracts are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Company performs the assessment of onerous contracts based on benchmark prices where available and on a combined ratio approach based on expected claims and expenses with an allowance for directly attributable expenses, on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if “facts and circumstances” indicate that there are significant changes in product pricing, product design, results of similar contracts it has recognized, forecasts or environmental factors.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted at current rates. The methodology and fact and circumstances are reviewed by the established profitability assessment Committee at regular intervals.

v) Impairment of premiums receivable accounted for under IFRS 17

The Company has developed impairment methodology for premiums receivable balances based on provision matrix approach. The premiums receivable balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the impairment, premiums receivable has been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (based on IFRS 9 simplified approach). The Company has identified the Gross domestic product and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

vi) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022 except as explained below:

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company:

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of adopting the following standards:

- a) IFRS 17 Insurance contracts (“IFRS 17”), and
- b) IFRS 9 Financial Instruments (“IFRS 9”).

The new accounting policies related the adoption of these new standards are disclosed below and impact of the adoption is disclosed in note 5.

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 1 January 2023. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below, as they have no material impact on the Company’s interim condensed financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company (Continued):

<u>Interpretation</u>	<u>Description</u>
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Certain new interpretations issued but not yet effective up to the date of issuance of the Company's condensed interim financial statements are listed below. The listing is of interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

<u>Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 1	Classification of liabilities as current or non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)	January 01, 2024
IFRS 16	Lease liability in a sale and leaseback – Amendments to IFRS 16	January 01, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 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 Company has applied the full retrospective approach to each group of insurance contracts.

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”).

Unit of account and measurement model

The Company has the following portfolio:

- Property
- Engineering
- Motor standard – corporate
- Motor standard – retail
- Motor third party
- Motor manafeth
- Casualty
- Marine
- Group life and
- Others

The Company does not issue any contracts with direct participating features. Each portfolio is further disaggregated into groups 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.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

For reinsurance contracts that provide proportionate coverage, at the later of:

- i) the beginning of the coverage period of the group of reinsurance contracts and
- ii) the initial recognition of any underlying contract.

All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts;

However, if the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, the reinsurance contract held, in this case, is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Measurement

The general measurement model (GMM), also known as the building block approach, is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
- Discounted estimates of future cash flows.; and
- A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as groups are either composed of contracts with coverage period of 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 GMM model.

Insurance contracts

The coverage period of all group of contracts, except for groups of the acquired contracts in engineering group of contracts is one year or less and are therefore eligible to be measured under the PAA.

The coverage period for term life contracts is one year or less. Once the selected term has ended, the insurance contract is terminated and a policyholder could potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this segment offer fixed and guaranteed death benefits over the contractual term.

Testing is completed on both:

- the product level then groups are formed based on the product and the terms of the product, and
- the portfolio level then groups are formed on a portfolio level.

Where the potential deviation is below financial statement materiality, the associated portfolio / product is deemed eligible for the PAA.

The upper bound is derived by simulating the maximum potential difference between PAA and GMM for thousands of combinations of input assumptions (term, volatility, expected claims and expense ratio, acquisition expense ratio, risk adjustment) for contracts. It is derived as follows:

- i) Simulate differences between PAA and GMM for several thousand contracts with various cashflow assumptions,
- ii) Derive a generic curve of the maximum deviation normalized by GWP for each contract duration and level of reasonable shock applied,
- iii) Apply the curve to the projected distribution of premium by contract duration to derive the portfolio potential deviation

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Measurement (continued)

Insurance contracts (continued)

The resulting upper-bound curves are then applied to all IFRS 17 portfolios. This effectively ensures that portfolios with a low volume of business but which are likely to be eligible for the PAA are demonstrated to be eligible without requiring a bespoke cashflow projection based on detailed actuarial assumptions and judgement.

For portfolios that have failed the upper-bound PAA eligibility test, a best estimate of the potential deviation between the PAA and the GMM is determined for a hypothetical representative contract. The hypothetical representative contract is identified based on the current contract wording and projected distribution of coverage periods, and is assumed to have GWP equal to the projected GWP of the entire portfolio. Where the potential deviation is below financial statement materiality, the associated portfolio is deemed eligible for the PAA.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous and facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- i) the LRC; and
- ii) the LIC, comprising the fulfillment cash flows (“FCF”) related to past service allocated to the group of contracts at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- i) the remaining coverage; and
- ii) the incurred claims, comprising the FCF related to past service allocated to the group of contracts at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period;
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses; and
- e) increased for any adjustment to the financing component, where applicable.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a) increased for ceding premiums paid in the period; and
- b) decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company estimates the liability for incurred claims as the fulfillment cash flows related to incurred claims. Fulfillment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows, and a risk adjustment.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Measurement (continued)

Insurance contracts (continued)

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 3.

The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk .

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the estimates of claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Onerous contract assessment

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfilments cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

i) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

ii) both of the following criteria are satisfied:

-the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

-the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Combination / unbundling of contracts

While identifying a contract in the scope of IFRS 17, the Company has to assess whether embedded derivatives, investment components and goods and services components need to be separated and accounted for under another standard. The Company does not issue any insurance contracts that contain embedded derivatives or distinct investment components. The Company does not underwrite contracts which require to separate the goods and services components.

De-recognition and contract modification

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows. There were no instances of modification or derecognition identified during the three-month period ended 31 March 2023.

Insurance acquisition costs and directly attributable expenses

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Company amortises the insurance acquisition costs over the contract period.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expenses include the following:

- i) incurred claims for the period.
- ii) other incurred directly attributable expenses.
- iii) insurance acquisition cash flows amortization.
- iv) changes that relate to past service – changes in the FCF relating to the LIC.
- v) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Presentation

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the notes to the interim condensed financial statements. The Company recognised in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise reinsurance expenses less amounts recovered from reinsurers. The Company recognises reinsurance expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts .

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

Timing for reinsurance revenue is over the period of the policies.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk, and changes therein.

The Company includes all insurance finance income or expenses for the period in the statement of income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Changes to classification, recognition and measurement

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

- Deferral of acquisition costs – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. An entity may elect to capitalize and amortize these costs over the coverage period based on the expected timing of incurred insurance service expense of the related group. It is similar to IFRS 4’s deferred acquisition costs .
- Discount rate – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. The changes in discounting methodology did not have a significant impact on transition. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Risk Adjustment -Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk (“risk adjustment”) which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.
- Onerous contracts – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS 4. Onerous contracts did not have a significant impact on transition to IFRS 17.

Accounting policy choices

Length of cohorts

IFRS 17 places an upper limit of 12 months on the length of cohorts so that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Company has elected to use annual cohorts.

Use of OCI for insurance finance income or expense (IFIE)

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. In reference to the presentation in statement of income, the Company will present the entire insurance finance income or expenses in profit or loss.

Expense attribution

The process of classification and allocation of expenses is consistent with market practices. All general and administrative expenses and other underwriting expenses are split into other acquisition cash flows (LRC), directly attributable, partially and not directly attributable expenses.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Accounting policy choices (continued)

Deferral of acquisition cost

In reference to the recognition of acquisition costs, the Company has decided to capitalize and amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

Policyholder surplus accounting

The Company does not make any allowance for surplus distribution when determining onerosity. Currently, the amount is determined on a retrospective basis only, allocated to group of contracts based on the Company's defined allocation policy and presented as part of LIC.

Changes to presentation and disclosure

Statement of financial position

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

Line items under IFRS 17	Line items under IFRS 4, now combined under one-line item under IFRS 17
Insurance contract liabilities	<ul style="list-style-type: none"> - Premiums receivable - Deferred policy acquisition costs - Unearned premiums - Outstanding claims - Claims incurred but not reported - Premium deficiency reserve - Due to agents, brokers and third-party administrator - Policyholders payable - Najm, manafeth, SAMA fee within prepaid expenses and other assets - Survey fee, actuarial fee and Elm fee payables, within accrued expenses and other liabilities
Reinsurance contract assets	<ul style="list-style-type: none"> - Reinsurers' share of unearned premiums - Reinsurers' share of outstanding claims - Reinsurers' share of claims incurred but not reported - Minimum Deposit premium (XOL), within prepaid expenses and other assets - XOL reinstatement payable, within accrued expenses and other liabilities - VAT on reinsurance commission - Payable to reinsurers, within due to reinsurers, agents, brokers and third-party administrator - Due from reinsurers - XOL claims recoverable, within Due from reinsurers - Unearned reinsurance commission

Statement of comprehensive income

The line item descriptions in the statement of income have been changed significantly compared to presentation in the latest annual financial statements .

Insurance revenue under IFRS 17 includes gross written premium, gross movement in unearned premiums and expected credit losses on receivables from policy holders.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment including the time value impact of past services. The changes in premium deficiency reserve is eliminated and instead changes in loss component is taken.

Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under net insurance financial result .

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 17 – Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

Statement of comprehensive income (continued)

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses since expenses are classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expense or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as underwriting expenses under IFRS 4 are now presented as other expenses under IFRS 17 in the line other operating expenses. The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

The impact of transition to IFRS 17 on retained earnings is given in note 5.

c) IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost

Debt Instruments:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows;
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial assets (continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

-the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial assets (continued)

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and

the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in condensed interim statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.

- *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in condensed interim statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to condensed interim statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- *FVTPL:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the interim condensed interim statement of income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. The Company has designated its investment in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company, as FVOCI.

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial assets (continued)

Impairment

Overview of Expected Credit Loss “ECL” principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Group.

Staging of financial assets

The Company categorizes its investments portfolio classified as FVTPL, amortized cost and FVOCI into stage 1, stage 2 and stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

Credit impaired financial asset

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Company considers indicators that are:

- qualitative- e.g., breaches of covenant.
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

-financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

-financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('E AD')

The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate

While estimating the ECL, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyzes the relationship between key economic trends with the estimate of PD. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is not material, hence not recognized.

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) IFRS 9 – Financial Instruments (continued)

Financial liabilities

Classification and derecognition of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate (“EIR”). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of income. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Classification and subsequent measurement of financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective profit method.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of income.

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9

As stated in note 2, this is the Company's first interim condensed financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9.

The judgements, estimates, assumption and accounting policies, as set out in note 3 and 4, respectively, have been applied in preparing the interim condensed financial statements for the period ended 31 March, 2023 and 31 March 2022 and in the preparation of statement of financial position as at 1 January 2022 and 31 December 2022

i) - IFRS 17 transition impact on statement of financial position

On transition to IFRS 17, the Company has applied the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Therefore, on transition date, January 1, 2022, the Company:

- has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognised any existing balances that would not exist had IFRS 17 always applied; and
- recognised any resulting net difference in equity.

The impact of transition to IFRS 17 on retained earnings, total assets and total liabilities is, as follows:

	31 December 2022	1 January 2022
(Decrease) / increase in the Company's retained earnings		
Change in measurement of reinsurance contract assets	20,795,177	17,950,167
Change in measurement of insurance contract liabilities	(24,950,803)	(23,967,506)
Impact of adoption of IFRS 17 before zakat and income tax	(4,155,626)	(6,017,339)
	31 December 2022	1 January 2022
Increase / (reduction) in the Company's total assets		
Risk adjustment	30,143,212	19,418,130
Discounting	(9,092,332)	(1,361,786)
Others	(255,703)	(106,177)
Impact of adoption of IFRS 17 on total assets	20,795,177	17,950,167
	31 December 2022	1 January 2022
(Increase) / reduction in the Company's total liabilities		
Risk adjustment	(35,420,610)	(23,264,663)
Discounting	10,998,518	1,727,970
Loss component	(1,706,558)	(5,193,513)
Reversal of additional premium reserves	4,069,544	2,824,722
Change in doubtful debt and default provision methodology	(7,445,109)	(3,686,665)
Deferred policy acquisition costs	4,524,723	3,487,081
Others	28,689	137,562
Impact of adoption of IFRS 17 on total liabilities	(24,950,803)	(23,967,506)

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

ii) - IFRS 9 transition impact on statement of financial position

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2022 and 31 December 2022:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re-measurement	New carrying amount under IFRS 9
Financial assets as on 1 January 2022:					
Cash and cash equivalents	Loans & receivables	Held at amortised cost	186,043,885	-	186,043,885
Investments:					
- Mutual funds	Held for trading (HFT)	FVTPL	24,470,047	-	24,470,047
- Equity securities	Held for trading (HFT)	FVTPL	2,951,313	-	2,951,313
- Equity securities	Available for sale (AFS)	FVOCI	1,932,078	35,100,482	37,032,560
- Sukuk and bonds	Held for trading (HFT)	FVOCI	74,729,318	-	74,729,318
Term Deposits	Loans & receivables	Held at amortised cost	57,236,755	-	57,236,755
Statutory deposit	Loans & receivables	Held at amortised cost	30,000,000	-	30,000,000
Accrued income on statutory deposit	Loans & receivables	Held at amortised cost	2,406,669	-	2,406,669
Other financial assets	Loans & receivables	Held at amortised cost	13,220,521	-	13,220,521

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

ii) - IFRS 9 transition impact on statement of financial position (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re-measurement	New carrying amount under IFRS 9
Financial Assets as on 31 December 2022:					
Cash and cash equivalents	Loans & receivables	Held at amortised cost	24,919,814	-	24,919,814
Investments:					
- Mutual funds	Held for trading (HFT)	FVTPL	22,441,225	-	22,441,225
- Equity securities	Held for trading (HFT)	FVTPL	1,566,062	-	1,566,062
- Equity securities	Available for sale (AFS)	FVOCI	1,932,078	37,771,049	39,703,127
- Sukuk and bonds	Held for trading (HFT)	FVOCI	70,222,624	-	70,222,624
Term Deposits	Loans & receivables	Held at amortised cost	243,331,053	-	243,331,053
Statutory deposit	Loans & receivables	Held at amortised cost	30,000,000	-	30,000,000
Accrued income on statutory deposit	Loans & receivables	Held at amortised cost	2,862,640	-	2,862,640
Other financial assets	Loans & receivables	Held at amortised cost	13,119,140	-	13,119,140

The changes in the classification of financial assets are predominantly due to IFRS 9 classification of equity instruments (including mutual funds) at FVTPL except for those which on transition the Company has elected to present the changes in fair value in OCI. Sukuks HFT are required to be classified as FVTPL, however sukuk which meet the requirements of the IFRS 9 business models hold to collect and sell are classified as FVOCI. The remaining financial assets which have been classified as amortised cost meet the criteria of held to collect business model. There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9. Loss allowance of above financial assets is not material, hence not recognized.

Transition impact on equity

Increase / (Decrease) in the Company's retained earnings

Classification of financial assets to FVOCI

31 December 2022

1 January 2022

4,585,379

(1,292,551)

(Decrease) / increase in the Company's investments fair value reserve

Classification of financial assets to FVOCI

(4,585,379)

1,292,551

Fair valuation of Najm shares (refer note 8.1)

37,771,049

35,100,482

33,185,670

36,393,033

Total impact on equity

37,771,049

35,100,482

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iii) - Reconciliation of interim condensed statement of financial position as at:

<u>ASSETS</u>	1 January 2022 (unaudited)					
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 and IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Cash and cash equivalents	186,043,885	-	-	-	-	186,043,885
Reinsurance contract assets	-	121,112,762	17,950,167	-	-	139,062,929
Premiums and reinsurance balances receivable - net	151,583,164	(151,583,164)	-	-	-	-
Reinsurers' share of unearned premiums	102,701,355	(102,701,355)	-	-	-	-
Reinsurers' share of outstanding claims	48,128,358	(48,128,358)	-	-	-	-
Reinsurers' share of claims incurred but not reported	48,309,514	(48,309,514)	-	-	-	-
Deferred policy acquisition costs	6,429,477	(6,429,477)	-	-	-	-
Investments held for trading	102,150,678	-	-	(102,150,678)	-	-
Investments available for sale	1,932,078	-	-	(1,932,078)	-	-
Investments at fair value through profit or loss	-	-	-	27,421,360	-	27,421,360
Investments at fair value through OCI	-	-	-	76,661,396	35,100,482	111,761,878
Prepaid expenses and other assets	23,397,934	(2,090,300)	-	-	-	21,307,634
Term deposits	57,236,755	-	-	-	-	57,236,755
Property and equipment	2,323,765	-	-	-	-	2,323,765
Intangible asset	2,798,598	-	-	-	-	2,798,598
Goodwill	43,774,750	-	-	-	-	43,774,750
Statutory deposit	30,000,000	-	-	-	-	30,000,000
Accrued income on statutory deposit	2,406,669	-	-	-	-	2,406,669
TOTAL ASSETS	809,216,980	(238,129,406)	17,950,167	-	35,100,482	624,138,223

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iii) - Reconciliation of interim condensed statement of financial position as at (continued):

<u>LIABILITIES AND EQUITY</u>	1 January 2022 (unaudited)					
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 and IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
<u>LIABILITIES</u>						
Insurance contract liabilities	-	167,678,264	26,792,238	-	-	194,470,502
Accounts payable	41,043,098	(41,043,098)	-	-	-	-
Accrued and other liabilities	12,751,559	(1,548,780)	(10)	-	-	11,202,769
Surplus distribution payable	2,180,026	(2,180,026)	-	-	-	-
Reinsurers' balances payable	85,044,497	(85,044,497)	-	-	-	-
Unearned premiums	137,001,880	(137,001,880)	-	-	-	-
Unearned reinsurance commission	9,130,990	(9,130,990)	-	-	-	-
Outstanding claims	60,486,403	(60,486,403)	-	-	-	-
Claims incurred but not reported	64,178,785	(64,178,785)	-	-	-	-
Additional premium reserves	2,824,722	-	(2,824,722)	-	-	-
Other technical reserves	5,193,211	(5,193,211)	-	-	-	-
End-of-service indemnities	10,968,262	-	-	-	-	10,968,262
Zakat and income tax	19,305,244	-	-	-	-	19,305,244
Accrued commission income payable to SAMA	2,406,669	-	-	-	-	2,406,669
TOTAL LIABILITIES	452,515,346	(238,129,406)	23,967,506	-	-	238,353,446
<u>EQUITY</u>						
Share capital	300,000,000	-	-	-	-	300,000,000
Statutory reserve	39,927,701	-	-	-	-	39,927,701
Retained earning	19,936,815	-	(6,017,339)	(1,292,551)	-	12,626,925
Fair value reserve for investments	-	-	-	1,292,551	35,100,482	36,393,033
Re-measurement reserve on end-of-service indemnities	(3,162,882)	-	-	-	-	(3,162,882)
TOTAL EQUITY	356,701,634	-	(6,017,339)	-	35,100,482	385,784,777
TOTAL EQUITY AND LIABILITIES	809,216,980	(238,129,406)	17,950,167	-	35,100,482	624,138,223

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(All amounts expressed in Saudi Riyals unless otherwise stated)

5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iii) - Reconciliation of interim condensed statement of financial position as at (continued):

ASSETS	31 December 2022 (unaudited)					
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 and IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Cash and cash equivalents	24,919,814	-	-	-	-	24,919,814
Reinsurance contract assets	-	168,846,040	20,795,177	-	-	189,641,217
Premiums and reinsurance balances receivable - net	143,764,682	(143,764,682)	-	-	-	-
Reinsurers' share of unearned premiums	98,727,855	(98,727,855)	-	-	-	-
Reinsurers' share of outstanding claims	118,827,786	(118,827,786)	-	-	-	-
Reinsurers' share of claims incurred but not reported	50,198,832	(50,198,832)	-	-	-	-
Deferred policy acquisition costs	7,439,545	(7,439,545)	-	-	-	-
Investments held for trading	94,229,911	-	-	(94,229,911)	-	-
Investments available for sale	1,932,078	-	-	(1,932,078)	-	-
Investments at fair value through profit or loss	-	-	-	24,007,287	-	24,007,287
Investments at fair value through OCI	-	-	-	72,154,702	37,771,049	109,925,751
Prepaid expenses and other assets	27,227,396	(2,610,459)	-	-	-	24,616,937
Term deposits	243,331,053	-	-	-	-	243,331,053
Property and equipment	2,704,838	-	-	-	-	2,704,838
Intangible asset	4,407,414	-	-	-	-	4,407,414
Goodwill	43,774,750	-	-	-	-	43,774,750
Statutory deposit	30,000,000	-	-	-	-	30,000,000
Accrued income on statutory deposit	2,862,640	-	-	-	-	2,862,640
TOTAL ASSETS	894,348,594	(252,723,119)	20,795,177	-	37,771,049	700,191,701

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iii) - Reconciliation of interim condensed statement of financial position as at (continued):

	31 December 2022 (unaudited)					
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 and IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
<u>LIABILITIES AND EQUITY</u>						
<u>LIABILITIES</u>						
Insurance contract liabilities	-	235,211,455	29,020,347	-	-	264,231,802
Accounts payable	34,881,824	(34,881,824)	-	-	-	-
Accrued and other liabilities	12,669,597	(1,708,516)	-	-	-	10,961,081
Surplus distribution payable	2,024,445	(2,024,445)	-	-	-	-
Reinsurers' balances payable	93,622,626	(93,622,626)	-	-	-	-
Unearned premiums	137,670,475	(137,670,475)	-	-	-	-
Unearned reinsurance commission	8,266,618	(8,266,618)	-	-	-	-
Outstanding claims	139,465,009	(139,465,009)	-	-	-	-
Claims incurred but not reported	63,499,431	(63,499,431)	-	-	-	-
Additional premium reserves	4,069,544	-	(4,069,544)	-	-	-
Other technical reserves	6,795,630	(6,795,630)	-	-	-	-
End-of-service indemnities	11,782,946	-	-	-	-	11,782,946
Zakat and income tax	15,550,754	-	-	-	-	15,550,754
Accrued commission income payable to SAMA	2,862,640	-	-	-	-	2,862,640
TOTAL LIABILITIES	533,161,539	(252,723,119)	24,950,803	-	-	305,389,223
<u>EQUITY</u>						
Share capital	300,000,000	-	-	-	-	300,000,000
Statutory reserve	40,867,123	-	-	-	-	40,867,123
Retained earning	23,694,501	-	(4,155,626)	4,585,379	-	24,124,254
Fair value reserve for investments	-	-	-	(4,585,379)	37,771,049	33,185,670
Re-measurement reserve on end-of-service indemnities	(3,374,569)	-	-	-	-	(3,374,569)
TOTAL EQUITY	361,187,055	-	(4,155,626)	-	37,771,049	394,802,478
TOTAL EQUITY AND LIABILITIES	894,348,594	(252,723,119)	20,795,177	-	37,771,049	700,191,701

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5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)
iv) - Reconciliation of interim condensed statement of income:

The line-item descriptions in the interim condensed statement of income have been changed significantly compared with prior year. Previously, the Company reported the following line items:

- Gross premiums written
- Reinsurance premiums ceded – Local
- Reinsurance premiums ceded – International
- Changes in unearned premiums – net
- Gross claims paid
- Reinsurers' share of claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Changes in claims handling reserves
- Reinsurance share of changes in outstanding claims
- Reinsurance share of changes in claims incurred but not reported
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Selling and marketing expenses
- Other income – net
- Income attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net expenses from reinsurance contracts held
- Other operating expenses

Transition impact on net income for the period 31 March 2022

The impact on the net income for the three-month period ended 31 March 2022 attributable to the shareholders, in line with the requirements of IFRS 17 and IFRS 9, is as follows:

	For the three-month period ended 31 March 2022
Net income attributable to the shareholders, as previously reported	1,253,732
<i>Increase /(decrease) in the Company's net income</i>	
Loss component (IFRS 17)	2,207,055
Risk adjustment, net (IFRS 17)	559,848
Discounting, net (IFRS 17)	(48,465)
Impairment of premiums receivable (IFRS 17)	874,855
Reclassification of Unrealized fair value gain to OCI (IFRS 9)	2,570,344
Others (IFRS 17)	(569,618)
Impact of initial application of IFRS 17 and IFRS 9	5,594,019
Net income attributable to the shareholders, restated	6,847,751

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iv) - Reconciliation of interim condensed statement of income (continued):

	31 March 2022 (unaudited)					
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 and IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Revenues						
Gross premiums written	87,855,714	(87,855,714)	-	-	-	-
Reinsurance premium ceded:						
- Local	(2,942,786)	2,942,786	-	-	-	-
- Foreign	(45,024,782)	45,024,782	-	-	-	-
Excess of loss expenses	(1,800,465)	1,800,465	-	-	-	-
Net premiums written	38,087,681	(38,087,681)	-	-	-	-
Changes in unearned premiums	(14,854,308)	14,854,308	-	-	-	-
Changes in reinsurers' share of unearned premiums	597,219	(597,219)	-	-	-	-
Net premiums earned	23,830,592	(23,830,592)	-	-	-	-
Reinsurance commission income	5,842,438	(5,842,438)	-	-	-	-
Net revenues	29,673,030	(29,673,030)	-	-	-	-
Insurance revenue	-	73,001,406	(874,855)	-	-	72,126,551
Insurance service expenses	-	(30,206,443)	5,978,445	-	-	(24,227,998)
Reinsurance revenue	-	(43,328,376)	118,535	-	-	(43,209,841)
Reinsurance service expenses	-	6,171,369	(3,264,879)	-	-	2,906,490
Insurance service result	-	5,637,956	1,957,246	-	-	7,595,202

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(All amounts expressed in Saudi Riyals unless otherwise stated)

5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iv) - Reconciliation of interim condensed statement of income (continued):

	31 March 2022 (unaudited)					Post adoption of IFRS 17 and IFRS 9
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17		IFRS 9		
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Underwriting costs and expenses						
Gross claims paid	(10,447,714)	10,447,714	-	-	-	-
Expenses incurred related to claims	(411,616)	411,616	-	-	-	-
Reinsurers' share of gross claims paid	1,701,044	(1,701,044)	-	-	-	-
Net claims and other benefits paid	(9,158,286)	9,158,286	-	-	-	-
Changes in outstanding claims	(11,958,912)	11,958,912	-	-	-	-
Changes in reinsurers' share of outstanding claims	7,397,393	(7,397,393)	-	-	-	-
Changes in claims incurred but not reported	5,486,307	(5,486,307)	-	-	-	-
Changes in reinsurers' share of claims incurred but not reported	(2,263,851)	2,263,851	-	-	-	-
Net claims and other benefits incurred	(10,497,349)	10,497,349	-	-	-	-
Additional premium reserves	495,640	-	(495,640)	-	-	-
Other technical reserves	(27,122)	27,122	-	-	-	-
Policy acquisition costs	(4,381,691)	4,381,691	-	-	-	-
Other underwriting expenses	(2,415,365)	2,415,365	-	-	-	-
Total underwriting costs and expenses	(16,825,887)	17,321,527	(495,640)	-	-	-
Commission income on deposits	-	-	-	726,631	-	726,631
Fair value gains on investments on FVTPL	-	-	-	1,179,586	-	1,179,586
Investment income on financial assets at FVOCI	-	-	-	340,408	-	340,408
Dividend income	-	-	-	167,298	-	167,298
Net insurance and investment results	12,847,143	(6,713,547)	1,461,606	2,413,923	-	10,009,125

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. TRANSITION DISCLOSURES - IMPACT OF IFRS 17 AND IFRS 9 (CONTINUED)

iv) - Reconciliation of interim condensed statement of income (continued):

	31 March 2022 (unaudited)					Post adoption of IFRS 17 and IFRS 9
	Pre-adoption of IFRS 17 and IFRS 9	IFRS 17 Reclassification	IFRS 17 Remeasurement	IFRS 9 Reclassification	IFRS 9 Remeasurement	
Other (expenses) / income						
Allowance for impairment of doubtful debts	(13,229)	-	13,229	-	-	-
General and administrative expenses	(10,563,232)	10,563,232	-	-	-	-
Dividend, interest and commission income	1,234,337	-	-	(1,234,337)	-	-
Realised losses on disposal of investments held for trading	(23,622)	-	-	23,622	-	-
Unrealised losses on investments held for trading	(1,367,136)	-	-	1,367,136	-	-
Other income	197,890	-	-	-	-	197,890
Other operating expenses	-	(3,849,685)	1,112,777	-	-	(2,736,908)
Total other expenses	(10,534,992)	6,713,547	1,126,006	156,421	-	(2,539,018)
Net finance expenses from insurance contracts issued	-	-	1,086,320	-	-	1,086,320
Net finance income from reinsurance contracts held	-	-	(928,033)	-	-	(928,033)
Net insurance expense	-	-	158,287	-	-	158,287
Income before surplus, zakat and income tax	2,312,151	-	2,745,900	2,570,344	-	7,628,395
Income attributed to insurance operations	(277,775)	-	277,775	-	-	-
Income attributed to the shareholders' before zakat and income tax	2,034,376	-	3,023,675	2,570,344	-	7,628,395
Zakat charge	(621,543)	-	-	-	-	(621,543)
Income tax charge	(159,101)	-	-	-	-	(159,101)
Net income after zakat attributable to the shareholders	1,253,732	-	3,023,675	2,570,344	-	6,847,751
Other comprehensive income						
Fair value loss on investments at FVOCI	-	-	-	(2,570,344)	-	(2,570,344)
Total comprehensive income	1,253,732	-	3,023,675	-	-	4,277,407

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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6. CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Cash in hand	20,000	-	-
Cash at banks			
- Current accounts	18,093,027	16,919,814	14,222,046
- Time deposits	8,098,000	8,000,000	171,821,839
	<u>26,211,027</u>	<u>24,919,814</u>	<u>186,043,885</u>

Short term deposits are placed with local bank in Kingdom of Saudi Arabia with original maturity of less than three-month from the date of original placement and earned commission income at an average rate of 5.37% per annum (31 December 2022: 0.7% to 4.9%). Bank balances are also placed with counterparties of sound credit ratings.

7. TERM DEPOSITS

Term deposits are placed with counterparties of sound credit ratings. Term deposits are placed with local banks with a maturity of three-month or more from the date of original placement and earn investment income at an average rate of 3.45% to 6.38% per annum (31 December 2022: 3.45% to 6.38% per annum).

8. INVESTMENTS

	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	1 January 2022 (Unaudited)
Financial assets at FVTPL	24,157,587	24,007,287	27,421,360
Financial assets at FVOCI	110,403,838	109,925,750	111,761,878
	<u>134,561,425</u>	<u>133,933,037</u>	<u>139,183,238</u>

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8. INVESTMENTS (CONTINUED)

i) Financial assets at fair value comprise of the following:

	Investments at FVTPL		Investments at FVOCI		Total	
	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)
Equity	1,575,820	1,566,062	39,703,127	39,703,127	41,278,947	41,269,189
Mutual funds	22,581,767	22,441,225	-	-	22,581,767	22,441,225
Debt instruments	-	-	70,700,711	70,222,623	70,700,711	70,222,623
	24,157,587	24,007,287	110,403,838	109,925,750	134,561,425	133,933,037

ii) Movement of financial assets at fair value is as follows:

	Investments at FVTPL		Investments at FVOCI		Total	Total
	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)	31 March 2023 (Unaudited)	31 December 2022 (Unaudited)
At the beginning of the period / year	24,007,287	27,421,360	109,925,750	111,761,878	133,933,037	139,183,238
Acquisitions during the period / year	-	1,618,714	-	13,474,851	-	15,093,565
Disposals during the period / year	-	(4,891,502)	-	(12,002,783)	-	(16,894,285)
Net fair value gain / (loss)	150,300	(141,285)	478,088	(3,207,363)	628,388	(3,348,648)
Realized fair value losses	-	-	-	(100,833)	-	(100,833)
At the end of the period / year	24,157,587	24,007,287	110,403,838	109,925,750	134,561,425	133,933,037

8.1 Investments at FVOCI represents investment in sukuk (debt instruments) and equity investment of 3.45% holding (31 December 2022: 3.45%) in Najm for Insurance Services Company (Najm), a Saudi Closed Joint Stock Company. These debt instruments are classified as FVOCI at the date of initial application as these investments pass SPPI assessment and their business model hold to collect contractual cash flows and for selling the financial assets. Najm shares are un-quoted and are carried at fair value. The Company has determined the fair value of its investment in Najm, which was previously carried at initial cost of Saudi Riyals 1.9 million until 31 December 2022, to be SR 37.03 million at as 1 January 2022 and SR 39.7 million as at 31 December 2022. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value, in accordance with the requirements of IFRS 9, have been recorded in the opening equity as of 1 January 2022 and 31 December 2022.

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9. INSURANCE AND REINSURANCE CONTRACTS

9.1 Insurance contracts

As at 31 March 2023 (Unaudited)						
		Liability for remaining coverage	Liability for incurred claims		Total	
		Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts						
Insurance contract liabilities – opening		7,775,158	1,706,558	219,329,476	35,420,610	264,231,802
Insurance contract assets – opening		-	-	-	-	-
Opening balance – net (Unaudited)		7,775,158	1,706,558	219,329,476	35,420,610	264,231,802
Insurance revenue		(75,775,449)	-	-	-	(75,775,449)
Insurance service expenses						
Incurring claims and other directly attributable expenses		-	-	73,819,585	7,468,224	81,287,809
Changes that related to past services – adjustments to the LIC		-	-	1,611,810	(60,865)	1,550,945
Insurance acquisition cash flows amortization		10,140,853	-	-	-	10,140,853
Onerous contracts recognized, net		-	482,273	-	-	482,273
Insurance service expenses		10,140,853	482,273	75,431,395	7,407,359	93,461,880
Finance expense from insurance contracts		-	-	2,142,958	-	2,142,958
Cash flows						
Premiums received		84,374,629	-	-	-	84,374,629
Claims and other directly attributable expenses paid		-	-	(24,028,458)	-	(24,028,458)
Insurance acquisition cashflows paid		(8,115,747)	-	-	-	(8,115,747)
Total cash inflows / (outflows)		76,258,882	-	(24,028,458)	-	52,230,424
Insurance contracts liabilities - closing		18,399,444	2,188,831	272,875,371	42,827,969	336,291,615
Insurance contracts assets - closing		-	-	-	-	-
Closing balance – net (Unaudited)		18,399,444	2,188,831	272,875,371	42,827,969	336,291,615

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9. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

9.1 Insurance contracts (continued)

	As at 31 December 2022 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts					
Insurance contract liabilities – opening	6,098,841	5,193,513	159,913,485	23,264,663	194,470,502
Insurance contract assets – opening	-	-	-	-	-
Opening balance – net (Unaudited)	6,098,841	5,193,513	159,913,485	23,264,663	194,470,502
Insurance revenue	(299,355,899)	-	-	-	(299,355,899)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	195,515,439	25,091,563	220,607,002
Changes that related to past services – adjustments to the LIC	-	-	(43,294,520)	(12,935,616)	(56,230,136)
Insurance acquisition cash flows amortization	36,871,579	-	-	-	36,871,579
Onerous contracts recognized, net	-	(3,486,955)	-	-	(3,486,955)
Insurance service expenses	36,871,579	(3,486,955)	152,220,919	12,155,947	197,761,490
Finance income from insurance contracts, net	-	-	(1,122,027)	-	(1,122,027)
Cash flows					
Premiums received	298,548,029	-	-	-	298,548,029
Claims and other directly attributable expenses paid	-	-	(91,682,901)	-	(91,682,901)
Insurance acquisition cashflows paid	(34,387,392)	-	-	-	(34,387,392)
Total cash inflows / (outflows)	264,160,637	-	(91,682,901)	-	172,477,736
Insurance contracts liabilities - closing	7,775,158	1,706,558	219,329,476	35,420,610	264,231,802
Insurance contracts assets - closing	-	-	-	-	-
Closing balance – net (Unaudited)	7,775,158	1,706,558	219,329,476	35,420,610	264,231,802

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9. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

9.2 Reinsurance contracts held

	As at 31 March 2023 (Unaudited)				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contract assets - opening	-	-	(162,904,940)	(30,143,211)	(193,048,151)
Reinsurance contract liabilities - opening	3,406,934	-	-	-	3,406,934
Opening balance, net (Unaudited)	3,406,934	-	(162,904,940)	(30,143,211)	(189,641,217)
Allocation of reinsurance premium	44,743,366	-	-	-	44,743,366
Amount recoverable from reinsurance					
Claims recovered and other directly attributable expenses	-	-	(51,616,118)	(6,365,346)	(57,981,464)
Changes that relate to past service – adjustments to the LIC	-	-	(4,294,089)	(615,920)	(4,910,009)
Amount recoverable from reinsurance – net	-	-	(55,910,207)	(6,981,266)	(62,891,473)
Finance income from reinsurance contracts, net	-	-	(1,784,573)	-	(1,784,573)
Cash flows					
Premiums ceded paid and commission received	(59,871,197)	-	-	-	(59,871,197)
Recoveries from reinsurance	-	-	8,577,597	-	8,577,597
Total cash inflows / (outflows)	(59,871,197)	-	8,577,597	-	(51,293,600)
Reinsurance contract assets - closing	(11,720,897)	-	(212,022,123)	(37,124,477)	(260,867,497)
Reinsurance contract liabilities – closing	-	-	-	-	-
Closing balance, net (Unaudited)	(11,720,897)	-	(212,022,123)	(37,124,477)	(260,867,497)

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(All amounts expressed in Saudi Riyals unless otherwise stated)

9. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

9.2 Reinsurance contracts held (continued)

	As at 31 December 2022 (Unaudited)				Total
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contract assets - opening	(8,419,691)	-	(111,225,108)	(19,418,130)	(139,062,929)
Reinsurance contract liabilities - opening	-	-	-	-	-
Opening balance, net (unaudited)	(8,419,691)	-	(111,225,108)	(19,418,130)	(139,062,929)
Allocation of reinsurance premium	180,288,510	-	-	-	180,288,510
Amount recoverable from reinsurance					
Claims recovered and other directly attributable expenses	-	-	(113,008,405)	(21,006,927)	(134,015,332)
Changes that relate to past service – adjustments to the LIC	-	-	31,065,863	10,281,846	41,347,709
Amount recoverable from reinsurance – net	-	-	(81,942,542)	(10,725,081)	(92,667,623)
Finance expense from reinsurance contracts, net	-	-	884,132	-	884,132
Cash flows					
Premiums ceded paid and commission received	(168,461,885)	-	-	-	(168,461,885)
Recoveries from reinsurance	-	-	29,378,578	-	29,378,578
Total cash inflows / (outflows)	(168,461,885)	-	29,378,578	-	(139,083,307)
Reinsurance contract assets - closing	-	-	(162,904,940)	(30,143,211)	(193,048,151)
Reinsurance contract liabilities – closing	3,406,934	-	-	-	3,406,934
Closing balance, net (Unaudited)	3,406,934	-	(162,904,940)	(30,143,211)	(189,641,217)

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. INSURANCE REVENUE AND EXPENSES

Three-month period ended 31 March 2023 (Unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Total
Insurance revenue from contracts measured under PAA	9,673,178	30,755,453	2,989,164	11,104,246	1,333,958	1,741,598	2,281,630	7,599,496	2,768,641	5,528,085	75,775,449
Insurance revenue – total (A)	9,673,178	30,755,453	2,989,164	11,104,246	1,333,958	1,741,598	2,281,630	7,599,496	2,768,641	5,528,085	75,775,449
Incurred claims and other directly attributable expenses	(6,984,692)	(8,776,793)	(46,449,409)	(10,113,928)	(1,458,162)	(1,133,549)	(787,642)	(1,977,179)	(2,227,883)	(1,378,572)	(81,287,809)
Changes that relate to past service - adjustments to the LIC (Losses) / reversal of losses on onerous contracts – net	3,525,107	(14,545,416)	80,190	642,283	163,294	(460,772)	49,993	4,200,914	2,278,952	2,514,511	(1,550,944)
Insurance acquisition cash flows amortization	-	-	-	(545,287)	140,221	(77,208)	-	-	-	-	(482,274)
Insurance service expenses – total (B)	(4,520,984)	(26,211,783)	(46,720,296)	(12,360,619)	(1,400,121)	(1,927,738)	(1,632,210)	1,160,628	(395,442)	546,685	(93,461,880)
Net income / (expense) from insurance contracts held C=(A+B)	5,152,194	4,543,670	(43,731,132)	(1,256,373)	(66,163)	(186,140)	649,420	8,760,124	2,373,199	6,074,770	(17,686,431)
Allocation of reinsurance premium paid - contracts measured under PAA (D)	(7,101,999)	(26,312,855)	(1,851,539)	(139,260)	(15,427)	(16,823)	(25,381)	(4,038,246)	(1,563,678)	(3,678,158)	(44,743,366)
Claims recovered and other directly attributable expenses	5,132,544	6,278,119	44,036,177	(30,741)	(3,790)	(803)	(2,089)	698,616	1,161,216	712,215	57,981,464
Changes that relate to past service - adjustments to the LIC	(2,302,461)	14,197,741	99,715	164,000	2,324	-	-	(3,288,231)	(1,708,255)	(2,254,824)	4,910,009
Amounts recoverable from/ payable to reinsurers – net (E)	2,830,083	20,475,860	44,135,892	133,259	(1,466)	(803)	(2,089)	(2,589,615)	(547,039)	(1,542,609)	62,891,473
Net income / (expense) from reinsurance contracts held F=(D+E)	(4,271,916)	(5,836,995)	42,284,353	(6,001)	(16,893)	(17,626)	(27,470)	(6,627,861)	(2,110,717)	(5,220,767)	18,148,107
Insurance service result – total (G=F+C)	880,278	(1,293,325)	(1,446,779)	(1,262,374)	(83,056)	(203,766)	621,950	2,132,263	262,482	854,003	461,676

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(All amounts expressed in Saudi Riyals unless otherwise stated)

10. INSURANCE REVENUE AND EXPENSES (CONTINUED)

Three-month period ended 31 March 2022 (unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Total
Insurance revenue from contracts measured under PAA	7,742,469	31,314,770	4,784,236	9,927,581	1,524,271	1,269,108	1,485,386	6,864,598	2,012,755	5,201,377	72,126,551
Insurance revenue – total (A)	7,742,469	31,314,770	4,784,236	9,927,581	1,524,271	1,269,108	1,485,386	6,864,598	2,012,755	5,201,377	72,126,551
Incurring claims and other directly attributable expenses	(4,429,681)	(7,533,694)	(2,152,956)	(9,636,609)	(1,444,558)	(964,701)	(520,257)	(2,573,119)	(1,503,291)	(1,676,679)	(32,435,545)
Changes that relate to past service - adjustments to the LIC (Losses) / reversal of losses on onerous contracts – net	3,821,984	7,808,803	(150,923)	1,140,301	339,857	(76,736)	434,334	(394,378)	123,648	1,083,171	14,130,061
Insurance acquisition cash flows amortization	-	-	-	2,101,862	24,655	80,538	-	-	-	-	2,207,055
Insurance service expenses – total (B)	(1,417,329)	(2,107,455)	(2,665,951)	(8,183,869)	(1,341,772)	(1,137,186)	(680,573)	(3,923,884)	(1,682,979)	(1,087,000)	(24,227,998)
Net income / (expense) from insurance contracts held C=(A+B)	6,325,140	29,207,315	2,118,285	1,743,712	182,499	131,922	804,813	2,940,714	329,776	4,114,377	47,898,553
Allocation of reinsurance premium paid - contracts measured under PAA (D)	(5,749,695)	(26,156,677)	(3,099,741)	(151,796)	(21,634)	(19,319)	(22,473)	(3,451,122)	(1,070,781)	(3,466,603)	(43,209,841)
Claims recovered and other directly attributable expenses	3,119,779	5,459,988	1,166,327	10,937	1,529	1,669	(956)	1,146,267	778,161	1,060,417	12,744,118
Changes that relate to past service - adjustments to the LIC	(2,993,027)	(7,619,795)	698,562	(286,925)	(24,607)	(5,425)	(18,376)	1,169,608	(38,493)	(719,150)	(9,837,628)
Amounts recoverable from/ payable to reinsurers – net (E)	126,752	(2,159,807)	1,864,889	(275,988)	(23,078)	(3,756)	(19,332)	2,315,875	739,668	341,267	2,906,490
Net income / (expense) from reinsurance contracts held F=(D+E)	(5,622,943)	(28,316,484)	(1,234,852)	(427,784)	(44,712)	(23,075)	(41,805)	(1,135,247)	(331,113)	(3,125,336)	(40,303,351)
Insurance service result – total (G=F+C)	702,197	890,831	883,433	1,315,928	137,787	108,847	763,008	1,805,467	(1,337)	989,041	7,595,202

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11. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent shareholders, companies related to shareholders (“affiliates”) and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company’s management and Board of Directors. The following are the details of major related parties’ transactions during the period and the related balances at the end of the period:

<i>Related parties</i>	<i>Nature of transactions</i>	For the three-month period ended 31 March	
		2023	2022
		(Unaudited)	
Affiliates	Gross written premiums	373,339	390,647
	Rent	373,863	357,566
	Claim expenses	658,139	703,858
	Expenses	6,500	6,500
Board of Directors	Remuneration	356,250	356,250
	Meeting fee and expenses	451,599	581,345
Shareholders	Reinsurance premiums ceded	9,580,035	14,383,153
	Reinsurers’ share of gross claims	8,419,284	300,175
	Reinsurance commission income	2,068,366	3,050,189

The following are the details of related parties’ balances as at:

<i>Nature</i>	<i>Relationship</i>	31 March	31 December
		2023	2022
		(Unaudited)	
Premiums and reinsurance receivables	Affiliates	4,768,864	15,990
Reinsurers’ balances payable	Affiliates	23,452,487	19,521,835

Remuneration and compensation of BOD Members and Executives

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The following table shows the salaries, remuneration and allowances obtained by the Board members and key management personnel for the period ended 31 March 2023 and 2022:

Three-month period ended 31 March 2023	BOD members	BOD members	Key
	(Executives)	(Non-Executive)	management
	(Unaudited)		
Salaries and compensation	-	-	1,311,797
End of service indemnities	-	-	208,852
Travel expenses	-	28,849	-
Annual remuneration and meeting fees	91,250	687,750	-
Total	91,250	716,599	1,520,649
Three-month period ended 31 March 2022	BOD members	BOD members	Key
	(Executives)	(Non-Executive)	management
	(Unaudited)		
Salaries and compensation	-	-	1,260,506
End of service indemnities	-	-	178,026
Travel expenses	-	109,345	-
Annual remuneration and meeting fees	84,250	659,000	-
Total	84,250	768,345	1,438,532

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12. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital, which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent. In accordance with the instruction received from the Saudi Central Bank (SAMA) vide their circular dated 1 March 2016, the Company has disclosed the commission due on statutory deposit as at 31 March 2023 as an asset and a liability in these interim condensed financial statements.

13. GOODWILL

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Ace Arabia Insurance Company BSC and International Insurance Company BSC. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA and the value of goodwill was estimated at SR 43.77 million

14. SHARE CAPITAL

The authorised, issued and paid-up share capital is SR 300 million at 31 March 2023 and 31 December 2022 consist of 30 million shares of SR 10 each. Shareholding structure of the Company as at 31 March 2023 and 31 December 2022 are as below:

<u>Shareholder</u>	<u>Country</u>	<u>Shareholding percentage</u>	
		<u>31 March 2023</u>	<u>31 December 2022</u>
Chubb International Holding Co.	USA	30	30
El-Khereiji Investment Company	Saudi Arabia	25	25
International Corporation For Trade and Contract Services	Saudi Arabia	5	5
General Public	Saudi Arabia	40	40
		<u>100</u>	<u>100</u>

15. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance. For management purposes, there have been no changes to the basis of segregation or the measurement basis for the segment profit or loss since 31 December 2022 except for Motor standard (corporate and retail), Motor TPL and Manafeth. These segments are the basis on which the Company reports its primary segment information.

Segment results do not include other operating expenses, dividend, interest and commission income, fair value gain/ loss financial assets at FVTPL, FVOCI and amortized cost, unrealized losses / gain on investments and other income net, prepayments, property and equipment, intangible assets, goodwill, statutory deposit and statutory deposit commission income. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payables, accrued expenses and other liabilities, end of service indemnities, statutory deposit commission income payable, provision for zakat and income tax and re-measurement reserve of defined benefit obligation. Accordingly, they are included in unallocated liabilities. These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 March 2023 and 31 December 2022, its total revenue, expenses and net income for the three-month periods ended 31 March 2023 and 2022 are as follows:

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15. OPERATING SEGMENTS (CONTINUED)

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for 31 March 2023 and 31 March 2022 is included in following tables. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

Three-month period ended March 31, 2023 - (unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Unallocated	Total
Insurance revenue	9,673,178	30,755,453	2,989,164	11,104,246	1,333,958	1,741,598	2,281,630	7,599,496	2,768,641	5,528,085	-	75,775,449
Insurance service expenses	(4,520,984)	(26,211,783)	(46,720,296)	(12,360,619)	(1,400,121)	(1,927,738)	(1,632,210)	1,160,628	(395,442)	546,685	-	(93,461,880)
Net income from insurance contracts held	5,152,194	4,543,670	(43,731,132)	(1,256,373)	(66,163)	(186,140)	649,420	8,760,124	2,373,199	6,074,770	-	(17,686,431)
Reinsurance revenue	(7,101,999)	(26,312,855)	(1,851,539)	(139,260)	(15,427)	(16,823)	(25,381)	(4,038,246)	(1,563,678)	(3,678,158)	-	(44,743,366)
Reinsurance service expenses	2,830,083	20,475,860	44,135,892	133,259	(1,466)	(803)	(2,089)	(2,589,615)	(547,039)	(1,542,609)	-	62,891,473
Net expenses from reinsurance contracts held	(4,271,916)	(5,836,995)	42,284,353	(6,001)	(16,893)	(17,626)	(27,470)	(6,627,861)	(2,110,717)	(5,220,767)	-	18,148,107
Insurance service result	880,278	(1,293,325)	(1,446,779)	(1,262,374)	(83,056)	(203,766)	621,950	2,132,263	262,482	854,003	-	461,676
Commission income on deposits	-	-	-	-	-	-	-	-	-	-	3,167,665	3,167,665
Net fair value gains on investments on FVTPL	-	-	-	-	-	-	-	-	-	-	150,300	150,300
Investment income on financial assets at FVOCI cost	-	-	-	-	-	-	-	-	-	-	494,854	494,854
Dividend income	-	-	-	-	-	-	-	-	-	-	370,747	370,747
Net investment return	-	-	-	-	-	-	-	-	-	-	4,183,566	4,183,566
Net finance expenses from insurance contracts issued	(262,407)	(1,175,594)	(45,988)	(208,178)	(28,822)	(13,340)	(3,722)	(160,289)	(145,211)	(99,407)	-	(2,142,958)
Net finance income from reinsurance contracts held	243,022	1,122,616	30,809	31,061	3,098	1,198	1,645	141,884	123,372	85,870	-	1,784,575
Net financial expense	(19,385)	(52,978)	(15,179)	(177,117)	(25,724)	(12,142)	(2,077)	(18,405)	(21,839)	(13,537)	-	(358,383)
Other income	-	-	-	-	-	-	-	-	-	-	4,198,396	4,198,396
Other operating expenses	-	-	-	-	-	-	-	-	-	-	(3,318,314)	(3,318,314)
Profit for the year before zakat and tax attributable to the shareholders	860,893	(1,346,303)	(1,461,958)	(1,439,491)	(108,780)	(215,908)	619,873	2,113,858	240,643	840,466	5,063,648	5,166,941
Zakat	-	-	-	-	-	-	-	-	-	-	(846,465)	(846,465)
Income tax	-	-	-	-	-	-	-	-	-	-	(313,638)	(313,638)
Profit for the year attributable to the shareholders	860,893	(1,346,303)	(1,461,958)	(1,439,491)	(108,780)	(215,908)	619,873	2,113,858	240,643	840,466	3,903,545	4,006,838

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15. OPERATING SEGMENTS (CONTINUED)

Three-month period ended March 31, 2022 - (unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Unallocated	Total
Insurance revenue	7,742,469	31,314,770	4,784,236	9,927,581	1,524,271	1,269,108	1,485,386	6,864,598	2,012,755	5,201,377	-	72,126,551
Insurance service expenses	(1,417,329)	(2,107,455)	(2,665,951)	(8,183,869)	(1,341,772)	(1,137,186)	(680,573)	(3,923,884)	(1,682,979)	(1,087,000)	-	(24,227,998)
Net income from insurance contracts held	6,325,140	29,207,315	2,118,285	1,743,712	182,499	131,922	804,813	2,940,714	329,776	4,114,377	-	47,898,553
Reinsurance revenue	(5,749,695)	(26,156,677)	(3,099,741)	(151,796)	(21,634)	(19,319)	(22,473)	(3,451,122)	(1,070,781)	(3,466,603)	-	(43,209,841)
Reinsurance service expenses	126,752	(2,159,807)	1,864,889	(275,988)	(23,078)	(3,756)	(19,332)	2,315,875	739,668	341,267	-	2,906,490
Net expenses from reinsurance contracts held	(5,622,943)	(28,316,484)	(1,234,852)	(427,784)	(44,712)	(23,075)	(41,805)	(1,135,247)	(331,113)	(3,125,336)	-	(40,303,351)
Insurance service result	702,197	890,831	883,433	1,315,928	137,787	108,847	763,008	1,805,467	(1,337)	989,041	-	7,595,202
Commission income on deposits	-	-	-	-	-	-	-	-	-	-	726,631	726,631
Net fair value gains on investments on FVTPL	-	-	-	-	-	-	-	-	-	-	1,179,586	1,179,586
Investment income on financial assets at FVOCI cost	-	-	-	-	-	-	-	-	-	-	340,408	340,408
Dividend income	-	-	-	-	-	-	-	-	-	-	167,298	167,298
Net investment return	-	-	-	-	-	-	-	-	-	-	2,413,923	2,413,923
Net finance expenses from insurance contracts issued	137,108	763,551	28,662	14,094	(6,541)	14,555	(18,818)	121,200	15,783	16,726	-	1,086,320
Net finance income from reinsurance contracts held	(107,181)	(668,974)	(22,976)	7,570	988	182	933	(99,920)	(3,401)	(35,254)	-	(928,033)
Net financial expense/(income)	29,927	94,577	5,686	21,664	(5,553)	14,737	(17,885)	21,280	12,382	(18,528)	-	158,287
Other income	-	-	-	-	-	-	-	-	-	-	197,890	197,890
Other operating expenses	-	-	-	-	-	-	-	-	-	-	(2,736,907)	(2,736,907)
Profit for the year before zakat and tax attributable to the shareholders	732,124	985,408	889,119	1,337,592	132,234	123,584	745,123	1,826,747	11,045	970,513	(125,094)	7,628,395
Zakat	-	-	-	-	-	-	-	-	-	-	(621,543)	(621,543)
Income tax	-	-	-	-	-	-	-	-	-	-	(159,101)	(159,101)
Profit for the year attributable to the shareholders	732,124	985,408	889,119	1,337,592	132,234	123,584	745,123	1,826,747	11,045	970,513	(905,738)	6,847,751

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15. OPERATING SEGMENTS (CONTINUED)

Statement of financial position

31 March 2023 (Unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Unallocated	Total
Assets												
Reinsurance contract assets	35,077,745	175,415,793	48,160,789	174,875	13,458	16,438	(2,998)	(3,490,122)	4,497,353	1,004,166	-	260,867,497
Unallocated assets	-	-	-	-	-	-	-	-	-	-	520,813,514	520,813,514
Total assets	35,077,745	175,415,793	48,160,789	174,875	13,458	16,438	(2,998)	(3,490,122)	4,497,353	1,004,166	520,813,514	781,681,011
Liabilities												
Insurance contract liabilities	37,510,346	194,648,572	55,158,499	17,792,963	5,396,975	1,905,571	460,280	8,566,235	6,924,303	7,927,871	-	336,291,615
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	46,101,993	46,101,993
Total liabilities	37,510,346	194,648,572	55,158,499	17,792,963	5,396,975	1,905,571	460,280	8,566,235	6,924,303	7,927,871	46,101,993	382,393,608

31 December 2022 (Unaudited)	Engineering	Property	Marine	Motor Standard – Corporate	Motor Standard – Retail	Motor Third Party	Motor Manafeth	Casualty	Group life	Other	Unallocated	Total
Assets												
Reinsurance contract assets	31,214,713	142,153,871	3,385,532	1,383,836	(5,504)	(1,440)	(1,886)	2,392,636	4,374,270	4,745,189	-	189,641,217
Unallocated assets	-	-	-	-	-	-	-	-	-	-	510,550,484	510,550,484
Total assets	31,214,713	142,153,871	3,385,532	1,383,836	(5,504)	(1,440)	(1,886)	2,392,636	4,374,270	4,745,189	510,550,484	700,191,701
Liabilities												
Insurance contract liabilities	38,438,506	159,579,873	11,027,362	20,668,600	4,473,884	1,307,821	291,601	12,852,956	5,603,093	9,988,106	-	264,231,802
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	41,157,421	41,157,421
Total liabilities	38,438,506	159,579,873	11,027,362	20,668,600	4,473,884	1,307,821	291,601	12,852,956	5,603,093	9,988,106	41,157,421	305,389,223

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council (“GCC”).

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

The fair values of on-balance sheet financial instruments that are not carried at fair value are not significantly different from their carrying amounts included in the interim condensed financial statements.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

During the period / year, there has been no transfer between level 1, level 2 and level 3.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	31 March 2023 (unaudited)				
<i>Financial instruments carried at fair value</i>	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	24,157,587	24,157,587	-	-	24,157,587
Investments at FVOCI	110,403,838	65,709,211	4,991,500	39,703,127	110,403,838
	134,561,425	89,866,798	4,991,500	39,703,127	134,561,425
	31 December 2022 (unaudited)				
<i>Financial instruments carried at fair value</i>	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL	24,007,288	24,007,288	-	-	24,007,288
Investments at FVOCI	109,925,750	65,235,123	4,987,500	39,703,127	109,925,750
	133,933,038	89,242,411	4,987,500	39,703,127	133,933,038

Significant unobservable inputs used in the valuation of level 3 investment include fair value estimates from reputable third party valuer who use technique such as discounted cash flows and other sophisticated models. . The fair value of investments in sukuk at level 2 is based on the value of similar quoted sukuk communicated by the fund manager. The fair value of investment in quoted equity instruments including mutual funds and quoted sukuk at level 1 is based on quoted prices available in the market. Additionally, there were no changes in the valuation techniques.

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17. ZAKAT AND INCOME TAX

a) Zakat

The zakat charge relates to Saudi shareholders and principal elements of zakat base are as following:

	31 March 2023	31 December 2022
	(unaudited)	(unaudited)
Equity	210,000,000	210,000,000
Opening provisions and other adjustments	44,818,147	57,102,141
Book value of long term assets, net of related financing	(81,793,425)	(56,366,679)
	173,024,722	210,735,462
Income subject to zakat	5,347,151	9,377,240
Zakat base	178,371,873	220,112,702

b) Income tax

Income tax provision relates to non-Saudi shareholders and has been provided for based on the estimated taxable profit at the rate of 20% per annum. The differences between the financial results and taxable income are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

c) Movement in the provision for Zakat and income tax during the period / year

The movement in zakat and income tax provision is as follows:

	For the three-month period	For the year
	31 March 2023	ended 31
		December 2022
At the beginning of the period / year	15,550,754	19,305,244
Provision for the year:		
-Zakat	846,465	6,220,520
-Income tax	313,638	933,943
Paid during the period / year	-	(10,908,953)
At the end of the period / year	16,710,857	15,550,754

Zakat and income tax charge for the three-month period ended 31 March 2023 is SR 846,465 and SR 313,638 respectively (for the three-month period ended 31 March 2022 SR 621,543 and SR 159,101, respectively).

The following is the shareholding percentage:

	31 March	31 December
	2023	2022
Shareholding subject to zakat	70	70
Shareholding subject to income tax	30	30

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17. ZAKAT AND INCOME TAX (CONTINUED)

d) Zakat and income tax assessments

In 2015, ZATCA raised final assessments for the years ended 31 December 2009 to 2012 and claimed additional zakat and income tax liability including withholding tax amounting to SR 13.79 million. The management has filed an appeal against these assessments and believes that the outcome of this appeal will be in the favor of the Company. However, the Company paid SR 14.9 million (including delay penalties and withholding tax) and also had furnished a bank guarantee of SR 3.3 million in favor of ZATCA to avoid any further delay penalties until the appeal against the assessments is finalized. In 2021, the Company received final decision from General Secretariat of Tax Committees (GSTC) – Appellate Committee with settlement amount of SR 12.78 million (SR 3.4 million refundable against income tax and WHT from the additional amount of SR 14.9 million paid and SR 1.2 million payable against additional zakat). During the last year, the Company had paid an additional zakat liability of SR 1.2 million. Based on it, the Company has filed a settlement letter with ZATCA and waiting their concurrence to it .

The Company has also received a provisional assessment for the years 2013 to 2015 where ZATCA had requested for an additional zakat and income tax liability of SR 6.2 million. The management has filed an appeal against this assessment. However, the Company had submitted an additional bank guarantee amounting to SR 6.2 million to cover the full additional liability and to avoid delay penalties. Furthermore, the company had settled the additional Zakat and tax liability for mentioned years with an amount of SR 5.4 million as had been finally resolved. Based on final settlement and with ZATCA approval, all guarantees amounting to SR 9.5 million have been liquidated / returned during the 2022.

Furthermore, in 2020, the ZATCA raised final assessments for the years ended 31 December 2016 to 2018 and assessed additional zakat and income tax liability amounting to SR 10.6 million. The management filed an appeal with the ZATCA and the ZATCA issued a revised assessment with the additional zakat and income tax liability amounting to SR 8.5 million. Subsequently, based on the appeal filed by the Company against the revised assessments, the Tax violation and Dispute Resolution Committee (TVDRC) partially accepted the Company's contentions, cancelled the additional tax liability, and reduced the additional zakat liability to SR 7.1 million. The Company has filed appeal against TVDRC's unfavorable rulings with the Tax Violation and Dispute Appellate Committee (TVDAC). The management believes that the outcome of these appeal will be in the favor of the Company.

The ZATCA in 2020 also raised a Withholding tax assessment for the years 2016 and 2017 amounting to SR 6.8 million. The Company filed an appeal against the above-mentioned assessment which has been rejected by TVDRC. Accordingly, the Company filed an appeal with TVDAC against the TVDRC decision. Additionally, in March 2021, the Company settled the additional WHT liability amounting to SR 6.8 million under the tax amnesty scheme of waiving the delay fine if the principal amount is paid. The company will request a refund of this amount after favorable outcome of the case.

Furthermore, During the year 2021, ZATCA has raised assessment for the years 2019 and 2020 with additional income tax and zakat liability of SR 7.3 million. Accordingly, the Company filed an appeal with the ZATCA, which was rejected by the ZATCA. Accordingly, the Company filed an appeal with the TVDRC against the ZATCA assessments. During December 2022, the TVDRC issued its decision partially in favor of the Company reducing the income tax and zakat liability to SR 7 million. However, the Company was not notified by the TVDRC of its decision and therefore, the Company was unable to escalate its appeal within the statutory deadline of 30 days. Nevertheless, the Company has filed an appeal with the TVDAC and requested to accept its appeal on the basis that it was not notified of the TVDRC's decision issuance. The TVDAC's review/decision is awaited.

The Company has filed zakat and tax returns up to year ended 31 December 2022 and obtained the required certificate.

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18. EARNINGS PER SHARE FOR THE PERIOD

Earnings per share for the period has been calculated by dividing the net income for the period by the weighted average number of outstanding shares during the period. The earnings per share for the corresponding periods were restated due to adoption of IFRS 17 and IFRS 9.

19. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material impact on the Company's result or financial position.

Capital commitments

As on 31 March 2023, the Company has capital commitment related to new software amounting to SR 3.55 million (31 December 2022: SR 3.55 million).

20. COMPARATIVE FIGURES RECLASSIFICATIONS

Certain comparative figures for the current period / year 2022 have been reclassified, due to the reason mentioned in note 1, to conform with the presentation in the current year.

21. GROSS WRITTEN PREMIUM

For the three-month period ended 31 March 2023						
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	-	4,582,571	169,187	-	-	4,751,758
Very small	-	1,793,955	424,638	-	72,427	2,291,020
Small	-	515,051	1,835,043	-	634	2,350,728
Medium	-	4,030,405	2,777,799	-	350,480	7,158,684
Corporate	-	20,482,289	67,490,664	-	2,404,551	90,377,504
Total	-	31,404,271	72,697,331	-	2,828,092	106,929,694

For the three-month period ended 31 March 2022						
Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	-	3,456,786	184,305	-	-	3,641,091
Very small	-	394,313	416,862	-	-	811,175
Small	-	380,312	1,886,828	-	44,385	2,311,525
Medium	-	3,870,378	2,325,122	-	410,625	6,606,125
Corporate	-	13,978,510	57,964,987	-	2,542,301	74,485,798
Total	-	22,080,299	62,778,104	-	2,997,311	87,855,714

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22. NET WRITTEN PREMIUM

Item	For the three-month period ended 31 March 2023					
	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	-	31,404,271	72,697,331	-	2,828,092	106,929,694
Reinsurance premium ceded – globally (including excess of loss)	-	(196,892)	(51,498,979)	-	(1,031,676)	(52,727,547)
Reinsurance premium ceded – locally (including excess of loss)	-	-	(4,313,589)	-	(239,595)	(4,553,184)
Net written premium - total	-	31,207,379	16,884,763	-	1,556,821	49,648,963
Item	For the three-month period ended 31 March 2022					
	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	-	22,080,299	62,778,104	-	2,997,311	87,855,714
Reinsurance premium ceded – globally (including excess of loss)	-	(215,222)	(45,486,428)	-	(1,123,597)	(46,825,247)
Reinsurance premium ceded – locally (including excess of loss)	-	-	(2,845,307)	-	(97,479)	(2,942,786)
Net written premium - total	-	21,865,077	14,446,369	-	1,776,235	38,087,681

23. SUBSEQUENT EVETS

Except for subsequent event mentioned elsewhere in these interim condensed financial statements, there are no other significant subsequent event occurred between 31 March 2023 and the date of approval of these interim condensed financial statements, which may have material impact on these interim condensed financial statements.

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 29 Dhul Qidah 1444H corresponding to 18 June 2023G.