
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
Three-month and six-month periods ended 30 June 2022

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 30 June 2022 and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes (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) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a 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 Engagement ("ISRE") 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 condensed financial statements 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 ("IAS") that are 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 that is endorsed in the Kingdom of Saudi Arabia.

EMPHASIS OF MATTERS

We draw attention to Note 4 to the interim condensed financial statements, which states that the Company has incurred a net loss of SR 14.5 million for the six-month period ended June 30, 2022 (June 30, 2021: SR 31.2 million), resulting in accumulated losses of SR 105.74 million as at June 30, 2022 (31 December 2021: SR 91.25 million). Accordingly, the Company's accumulated losses reached 70.5% of its share capital (31 December 2021: 60.83%), and as of the same date, the solvency of the Company reached 20% (31 December 2021: 43%). These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The note referred above also explains the measures under consideration of the board of directors of the Company to mitigate the material uncertainty relating to going concern. Our conclusion is not modified in respect of this matter.

For El Sayed El Ayouty & Co.
Certified Public Accountants
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Abdullah Ahmed Balamesh
Certified Public Accountant
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Abdullah M. AlAzem
Certified Public Accountant
License No. 335



11 August 2022
13 Muharram 1444H
Jeddah, Kingdom of Saudi Arabia



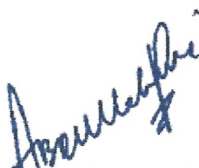
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		30 June 2022	31 December 2021
	Note	(Unaudited)	(Audited)
		SAR '000	
ASSETS			
Cash and cash equivalents	5	143,062	159,152
Short term murabaha deposits	6	66,969	77,908
Premiums receivable, net	7	53,192	58,486
Prepaid expenses and other assets		13,006	11,639
Deferred policy acquisition costs		5,935	6,926
Investments	8	1,133	1,668
Property and equipment, net		1,634	1,523
Intangible assets, net		706	899
Right of use assets, net		1,506	679
Statutory deposit	9	22,500	22,500
Accrued commission income on statutory deposit		4,648	4,545
TOTAL ASSETS		314,291	345,925
LIABILITIES			
Accrued and other liabilities		60,955	54,209
Unearned premiums	10	92,593	108,727
Outstanding claims	10	39,189	46,806
Claims incurred but not reported	10	19,977	15,745
Premium deficiency reserve	10	30,745	34,527
Other technical reserves	10	396	391
End-of-service indemnities		5,697	5,787
Lease liabilities		1,151	2,250
Zakat and income tax provision	15	13,750	13,250
Accrued commission income payable to SAMA		4,648	4,545
TOTAL LIABILITIES		269,101	286,237
SHAREHOLDERS' EQUITY			
Share capital	16	150,000	150,000
Accumulated losses		(105,743)	(91,245)
TOTAL SHAREHOLDERS' EQUITY		44,257	58,755
Re-measurement reserve on end-of-service indemnities – related to insurance operations		933	933
TOTAL EQUITY		45,190	59,688
TOTAL LIABILITIES AND EQUITY		314,291	345,925



Chairman



Acting CFO / Finance Reporting
Manager



Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

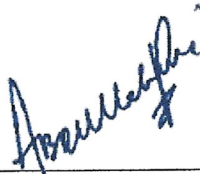
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME – (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

	<i>Three - month period ended 30 June</i>		<i>Six - month period ended 30 June</i>	
	2022	2021	2022	2021
	SAR '000			
<u>REVENUES</u>				
Gross premiums written	42,268	46,803	96,570	91,873
Net premiums written	42,268	46,803	96,570	91,873
Changes in unearned premiums – net	15,273	(6,924)	16,134	(13,905)
Net premiums earned	57,541	39,879	112,704	77,968
TOTAL REVENUE	57,541	39,879	112,704	77,968
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	44,645	40,378	105,422	76,115
Net claims paid	44,645	40,378	105,422	76,115
Changes in outstanding claims – net	(1,147)	(4,841)	(7,617)	(4,563)
Changes in claims incurred but not reported – net	3,254	271	4,231	1,464
Net claims incurred	46,752	35,808	102,036	73,016
Changes in premium deficiency reserve	(7,161)	3,432	(3,782)	8,308
Changes in other technical reserves	26	(21)	4	(8)
Policy acquisition costs	3,590	2,046	6,965	3,781
Other underwriting expenses	2,714	1,768	5,399	3,186
TOTAL UNDERWRITING COSTS AND EXPENSES	45,921	43,033	110,622	88,283
NET UNDERWRITING INCOME/(LOSS)	11,620	(3,154)	2,082	(10,315)



Chairman



Acting CFO/ Finance Reporting
Manager



Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME – (UNAUDITED) – (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

		<i>Three - month period ended 30 June</i>		<i>Six - month period ended 30 June</i>	
	Note	2022	2021	2022	2021
		SAR ‘000			
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
(Allowance for) / release of doubtful debts	7	(3,144)	1,933	(3,689)	(820)
General and administrative expenses		(9,593)	(13,811)	(17,234)	(26,123)
Commission income on deposits		1,072	960	1,893	1,840
Unrealized (loss) / gain on investments		(9)	144	131	188
Realized gain on investment		-	5,431	-	5,431
Other income / (expense)		2,819	(65)	2,819	101
TOTAL OTHER OPERATING EXPENSES		(8,855)	(5,408)	(16,080)	(19,383)
Net income / (loss) for the period		2,765	(8,562)	(13,998)	(29,698)
Net income attributed to the insurance operations		-	-	-	-
Net income / (loss) for the period attributable to the shareholders before zakat		2,765	(8,562)	(13,998)	(29,698)
Zakat income / (expense)	15	250	(750)	(500)	(1,500)
Net income / (loss) for the period		3,015	(9,312)	(14,498)	(31,198)
<u>Earning / (loss) per share (expressed in SAR per share)</u>					
Weighted average number of ordinary shares Outstanding (in thousands of shares)	18	15,000	15,000	15,000	15,000
Basic and diluted earning / (loss) per share for the period (SAR/Share)	18	0.20	(0.62)	(0.97)	(2.08)

Chairman

Acting CFO / Finance Reporting
Manager


Chief Executive Officer

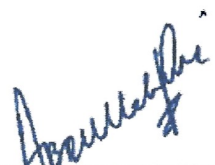
The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.


SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME – (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

	<i>Three - month period ended 30 June</i>		<i>Six - month period ended 30 June</i>	
	2022	2021	2022	2021
	SAR '000			
Net income / (loss) for the period	3,015	(9,312)	(14,498)	(31,198)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	3,015	(9,312)	(14,498)	(31,198)
Total comprehensive loss attributed to the insurance operations	-	-	-	-
Total comprehensive income / (loss) for the period attributable to the shareholders	3,015	(9,312)	(14,498)	(31,198)


 Chairman


 Acting CFO/ Finance Reporting
 Manager


 Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

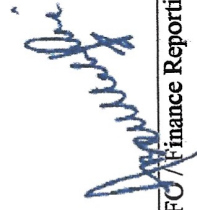
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Related to shareholders' operations			Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
	Share capital	Accumulated losses	Total shareholders' equity		
2022			SAR '000		
Balance as at 31 December 2021 (Audited)	150,000	(91,245)	58,755	933	59,688
<i>Total comprehensive loss for the period:</i>					
Net loss for the period	-	(14,498)	(14,498)	-	(14,498)
<i>Total comprehensive loss for the period</i>					
Balance as at 30 June 2022 (Unaudited)	150,000	(105,743)	44,257	933	45,190
2021					
Balance as at 31 December 2020 (Audited)	150,000	(29,273)	120,727	1,008	121,735
<i>Total comprehensive loss for the period:</i>					
Net loss for the period	-	(31,198)	(31,198)	-	(31,198)
<i>Total comprehensive loss for the period</i>					
Balance as at 30 June 2021 (Unaudited)	150,000	(60,471)	89,529	1,008	90,537



Chairman



Acting CFO / Finance Reporting Manager




Chief Executive Officer


The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	<i>Six - month period ended</i>	
	<i>30 June</i>	
	2022	2021
	SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat	(13,998)	(29,698)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	413	550
Depreciation of right of use assets	721	854
Finance cost on lease liabilities	3	32
Amortization of intangible assets	193	247
Allowance for of doubtful debts	3,689	820
Unrealized gain on investments	(131)	(188)
Realized gain on investment	-	(5,431)
Provision for end-of-service indemnities	463	546
	(8,647)	(32,268)
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	1,605	(703)
Reinsurer share of outstanding claims	-	73
Deferred policy acquisition costs	991	(1,797)
Prepaid expenses and other assets	(1,367)	1,983
Accrued and other liabilities	6,746	(933)
Accrued commission income on statutory deposit	103	(95)
Unearned premiums	(16,134)	13,901
Outstanding claims	(7,617)	(4,637)
Claims incurred but not reported claims	4,232	1,464
Premium deficiency reserve	(3,782)	8,308
Other technical reserves	5	(8)
Accrued commission income payable to SAMA	(103)	95
	(23,968)	(14,617)
Cash used in operating activities	(553)	(146)
End-of-service indemnities paid	-	(2,737)
Zakat paid	-	-
Net cash used in operating activities	(24,521)	(17,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of short term murabaha deposits	10,939	28,427
Proceeds from the sale of investments	666	66,302
Addition in right of use assets - net	(2,250)	-
Purchase of property and equipment	(524)	(438)
Purchase of intangible assets	-	(187)
Net cash generated from investing activities	8,831	94,104
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease	(400)	-
Net cash used in financing activities	(400)	-
Net change in cash and cash equivalents	(16,090)	76,604
Cash and cash equivalents, beginning of the period	159,152	115,226
Cash and cash equivalents, end of the period	143,062	191,830


Chairman


Acting CFO/ Finance Reporting
Manager


Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

1. GENERAL

Saudi Enaya Cooperative Insurance a Joint Stock Company incorporated in Kingdom of Saudi Arabia, ("the Company"), was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Building No. 7521
Al Fakhr, Al Khaldiya District
P.O. Box 3732
Jeddah 23423
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch

Riyadh

Commercial Registration Number:

1010421871

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/49 dated 27 Rajab 1432H (corresponding to 29 June 2011) pursuant to the Council of Ministers' Resolution No 224 dated 25 Rajab 1432H (corresponding to 27 June 2011). As of the date of incorporation, the Company is 77% owned by the Saudi shareholders and the general public and 23% owned by non-Saudi shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 February 2012.

On 27 Rajab 1432H (corresponding to 29 June 2011), the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/49). On 27 February 2012, the Saudi Central Bank ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, the Company signed a non-binding Memorandum of Understanding ("MOU") with Amana Cooperative Insurance Company ("Amana") to evaluate a potential merger between the two companies. On 18 Ramadan 1442H corresponding to 30 April 2021, the Company announced that it has signed a binding merger agreement with Amana. Whereas each Board of Directors of both companies had reached an agreement regarding the conditions under which the company will be merged into Amana.

The Company announced to its shareholders on 15 July 2021 that The General Authority of Competition ("GAC") has issued a non-objection certificate to complete the merger according to GAC certificate issued with reference number 5 dated 6 Zul-Hijjah 1442H.

The Company announced the issuance of the Approval of the Saudi Central Bank on 18 Rabi-Al-Thani 1443 (corresponding to 23 November 2021) on the potential Merger.

On 6 Jumada Al-Akhera 1443 (9 January 2022), a resolution was passed in the extra ordinary general assembly meeting to disapprove the terms of the merger agreement entered into between the Company and Amana on 17 Ramadan 1442H (corresponding to 29 April 2021).

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

2. BASIS OF PREPARATION

a. Statement of compliance

The interim condensed financial statements for the three-month and six-month periods ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value and measurement of employees end of service benefits which are recognized at the present value of future obligations. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term murabaha deposits, premiums receivable-net, reinsurer balance receivable, deferred policy acquisition costs, prepaid expenses and other assets, accrued and other liabilities, unearned premiums, reinsurance commission and zakat and income tax. The following balances would generally be classified as non-current: outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves, end-of-service indemnities, related parties balances, accrued commission income on statutory deposit, investments held at fair value through income statement, statutory deposit, property and equipment – net, intangible assets – net and right of use assets – net.

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 are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 24 to 31 of the interim condensed financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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 unrealized 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 inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

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 2021.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

2. BASIS OF PREPARATION (Continued)

b. Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In preparing these interim condensed financial statements, the significant judgments 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 31 December 2021.

c. Seasonality of operations

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

d. Impact of covid-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the period ended 30 June 2022 including the significant accounting judgements and estimates. The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2022, replacing, amending, or adding to the corresponding accounting policies set out in the 2021 annual financial statements.

a) Amendments to Standards

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions may have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.	Annual periods beginning on or after 1 April 2021.
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in the statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IAS 41, 'Agriculture' and the Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective

Standards 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 standards and interpretations issued, which the Company reasonably expects to be applicable at future date. The Company intends to adopt these standards when they are effective.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
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.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- A) embedded derivatives, if they meet certain specified criteria;
- B) distinct investment components; and
- C) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models.

The General model is based on the following "building blocks":

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts – (continued)

Measurement – (continued)

A) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA)

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

A) changes in the entity’s share of the fair value of underlying items,

B) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. In May 2017, the International Accounting Standards Board ("IASB") published the final version of IFRS 17 Insurance Contracts. On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. In June 2020, the IASB amended IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the IFRS 17 and making it easier for them to explain their financial performance. IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company is currently in the implementation and dry run phase of IFRS 17 (i.e phase 4) which requires the installation of systems, implementation of design and policy choices, and completion of three dry runs comparing results under IFRS 4 and IFRS 17.

Following are the main areas under the implementation and dry run phase and status of the progress made so far by the Company:

Key areas of focus	Summary of Impact
Governance and control Framework	The Company has a comprehensive IFRS 17 governance framework which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve decisions and assign roles and responsibilities to various stakeholders. The Company is currently implementing the control framework that will be adopted following IFRS 17 Go Live.
Operational impact	The Company is in the process of implementing the selected IFRS 17 software solution and is implementing changes to the accounting, actuarial modelling, processes and controls, data and systems to comply with the requirements of IFRS 17. This includes implementing the Phase 3 Design decisions, blueprints of its end state functional design, transition processes, a comprehensive data policy and data dictionary.
Technical and financial impact	The Company has documented the technical policy papers, finalizing the policy decisions and choices required under the IFRS 17 Standard. The policy decisions and choices are taken after performing detailed assessments and due deliberations among various stakeholders and have been approved by the Company's IFRS 17 Steering Committee. The Company is currently assessing the expected financial impact of adopting the IFRS 17 Standard.
IFRS 17 Dry Run	The Company performed the first IFRS 17 dry run in November 2021. This involved preparing the IFRS 17 financial statements as at 31 December 2020. Second Dry Run was performed in May 2022, which included the preparation of the IFRS 17 financial statements as at 31 December 2021 along with the comparative statement of financial position as at December 31, 2020. The Company has refined its implementation plan taking into consideration the learnings from the first dry run. The next IFRS 17 dry run will be performed in October 2022.
IFRS 17 testing	The Company's implementation plan includes a number of testing phases: parallel runs and User Acceptance Testing (UAT), in addition to the dry runs.

In order to comply with the regulatory requirements of Phase 4, the Company has submitted IFRS 17 Phase 4 - 2nd Dry Run results on 31st May, 2022, and also the "Summary Progress Reports" for the month of May, June and July 2022.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect 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”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and
- the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a. the effective date of a new insurance contract standard; or
 - b. annual reporting periods beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 1, 2021:

- (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

As at June 30, 2022, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 292 million and SR 80 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 287 million (2021: SR 318 million).

Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. Other financial assets have a fair value of SR 1.134 million as at June 30, 2022 with a fair value change during the year of 0.130 million. The Company financial assets have low credit risk as at June 30, 2022 and December 31, 2021. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

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4. GOING CONCERN

During the current period, the Company has incurred a net loss of SR 14.5 million (June 30, 2021: SR 31.2 million) resulting in accumulated losses of SR 105.74 million (31 December 2021: SR 91.25 million). As at June 30, 2022, the Company's accumulated losses reached 70.5 % of its share capital (31 December 2021: 60.83 %), and as of the same date, the solvency of the Company reached 20% (31 December 2021: 43%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. However, in the meeting held on 18 Shawwal 1443 AH corresponding to May 19, 2022, the board has recommended to increase the capital by offering right issues with a target amount of SAR 300 million. The recommended increase is subject to approvals of Regulatory authorities in addition to the Extraordinary General Assembly approval. Consequently, the board of directors of the Company has called an Extraordinary General Assembly Meeting (EOGM) on 23 Muharram 1444 AH corresponding to August 21, 2022.

Following options will be considered for voting in this EOGM:

- to proceed with the capital increase procedures and obtain the approval of the relevant authorities.
- to direct the Company to proceed with the procedures for liquidating the Company and to obtain the approval of the relevant authorities (if capital increase is not approved).

Management is hopeful for the execution of capital increase and has also carried out financial projections which includes capital injection. Based on the above, the Company's management has assessed its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under the normal course of business. Accordingly, the financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Bank balances and cash	21,029	49,959
	Shareholders' operations	
	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Bank balances and cash	745	79
Deposits maturing within 3 months from the acquisition date	121,288	109,114
	122,033	109,193
Total	143,062	159,152

The Deposits are held with commercial banks and financial institution in the Kingdom of Saudi Arabia and GCC. These deposits are denominated in Saudi Arabian Riyals and have an original maturity of not exceeding three months.

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 67 million as at 30 June 2022 (31 December 2021: SR 77.9 million), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia and are presented in the statement of financial position of the shareholders separately (note 19). As at 30 June 2022, the deposit carrying commission rate at 0.92% (31 December 2021: 0.85% to 0.92%).

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7. PREMIUMS RECEIVABLE – NET

Premiums receivables comprise of amounts due from the following:

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Policyholders	51,103	46,954
Brokers and agents	20,644	28,209
Related parties (note 14)	2,414	603
	74,161	75,766
Provision for doubtful premiums receivables	(20,969)	(17,280)
Premiums receivable – net	53,192	58,486

Note: Premium balance receivable from brokers and agents at 30 June 2022 amounting to SAR 20.6 million (31 December 2021: SAR 28.2 million) are ultimately due from customers that are insured through brokers and agents.

Movement in the allowance for doubtful premiums receivable during the period / year was as follows:

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Balance at beginning of the period / year	17,280	19,671
Provided /(released) during the period / year	3,689	(2,391)
Balance at end of the period / year	20,969	17,280

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
- Held as FVSI	1,133	1,668

Movement in the Fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Opening balance	1,668	8,047
Realized gain on investments	-	42
Sold during the period / year	(666)	(6,658)
Unrealized gain on investments	131	237
Closing balance	1,133	1,668

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8. INVESTMENTS – (continued)

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Al Badr Murabaha Fund	-	664
Saudi Fransi GCC IPO Fund	1,133	1,004
	1,133	1,668

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Opening balance	-	60,329
Realized gain on held to maturity investment	-	5,218
Amortization of held to maturity investments	-	213
Sold during the period / year	-	(65,760)
Closing balance	-	-

9. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. Statutory deposit as at 30 June 2022 amounted to SR 22.5 million (2021: SR 22.5 million).

10. TECHNICAL RESERVES

10.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 June 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Outstanding claims	39,189	46,806
Claims incurred but not reported	19,977	15,745
	59,166	62,551
Premium deficiency reserve	30,745	34,527
Other technical reserves	396	391
Net outstanding claims and reserves	90,307	97,469

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10. TECHNICAL RESERVE – (Continued)

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

Six-month period ended 30 June 2022 (Unaudited)			
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	108,727	-	108,727
Premium written during the period	96,570	-	96,570
Premium earned during the period	(112,704)	-	(112,704)
Balance as at the end of the period	92,593	-	92,593

Year ended 31 December 2021 (Audited)			
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	67,504	-	67,504
Premium written during the year	218,502	-	218,502
Premium earned during the year	(177,279)	-	(177,279)
Balance as at the end of the year	108,727	-	108,727

11. COMMITMENTS AND CONTINGENCIES

- There were no capital commitments outstanding as at 30 June 2022 (31 December 2021: Nil).
- The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending legal proceedings, management does not believe that such proceedings will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

12. FAIR VALUES 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 advantageous accessible market for the asset or liability

The fair values of on-balance sheet financial instruments 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.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. 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.

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2 SAR'000	Level 3	Total
30 June 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,133	-	1,133	-	1,133
	1,133	-	1,133	-	1,133
Financial assets not measured at fair value					
- Short-term murabaha deposits	66,969	-	-	66,969	66,969
	66,969	-	-	66,969	66,969
Shareholders' Operations					
	Carrying value	Level 1	Level 2 SAR'000	Level 3	Total
31 December 2021 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,668	-	1,668	-	1,668
	1,668	-	1,668	-	1,668
Financial assets not measured at fair value					
- Short-term murabaha deposits	77,908	-	-	77,908	77,908
	77,908	-	-	77,908	77,908

There were no transfers between level 1, level 2 and level 3 during the period/year. All of the investment and Murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

13. OPERATING SEGMENTS

The Company only issues insurance contracts for providing health care services ('medical insurance') and all the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. The insurance operations are being monitored by management under one segment; hence no separate information is required.

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14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

	Nature of Transactions	Transactions for the six-month period ended		Balance receivable / (payable) as at	
		30 June 2022	30 June 2021	30 June 2022	31 December 2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SAR'000			
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>					
Related parties of Juffali Group (affiliates)	Gross premium written	1,565	1,463	2,414	603
	Gross Claims paid	669	641	-	-
	Purchase of computer equipment, licenses, vehicles and other services	104	-	(104)	(104)
	Commission paid	-	25	-	-
Related parties of Dr. Soliman Fakeeh Group – (affiliates)	Gross premium written	-	291	-	-
	Gross Claims paid	-	13,272	-	-
Related parties of International Medical Center – (affiliates)	Gross premium written	-	32	-	-
	Gross Claims paid	-	9,317	-	-

The above balances are included in premiums receivables, accrued expenses and other liabilities

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Technical Director of the Company. The compensation of key management personnel during the six-month period is as follows:

	Six-month period ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
	SAR'000	
Salaries and other allowances	1,505	2,156
End of service indemnities	58	80
	1,563	2,236

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15. ZAKAT AND INCOME TAX

a. Charge for the period / year

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movements in provision during the period / year

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	SAR'000	
Balance at the beginning of the period / year	13,250	12,000
Provision adjustment for prior years	-	2,475
Provided during the period / year	500	1,512
Total provision charged to the interim condensed statement of income	500	3,987
Paid for the period / year	-	(2,737)
Balance at the end of the period / year	13,750	13,250

As the Company has incurred a loss during the six-month period ended 30 June 2022, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of Zakat assessments

The Company has filed its Zakat and tax returns until years ended 31 December 2021 and zakat assessments until 2014 have been finalized and settled.

The Zakat, Tax and Customs Authority ("ZATCA") has raised assessments for the years 2015 through 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the TVDRC against the ZATCA's assessment and TVDRC's review is awaited. The zakat and tax returns for the years 2019 through 2021 are currently under review by the ZATCA.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the ZATCA could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders.

16. SHARE CAPITAL

As at 30 June 2022, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

17. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

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18. LOSS PER SHARE

a) The basic per share is calculated as follows:

	Six-month period ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	SAR '000	
Net loss for the period (SR '000)	(14,498)	(31,198)
Weighted average number of ordinary shares outstanding ('000 shares)	15,000	15,000
Basic and diluted loss per share (SR \ Share)	(0.97)	(2.08)

19. SUPPLEMENTARY INFORMATION

a) *Interim condensed statement of financial position*

	30 June 2022			31 December 2021		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	21,029	122,033	143,062	49,959	109,193	159,152
Short term murabaha deposits	-	66,969	66,969	-	77,908	77,908
Premiums receivable, net	53,192	-	53,192	58,486	-	58,486
Prepaid expenses and other assets	11,866	1,140	13,006	10,653	986	11,639
Deferred policy acquisition costs	5,935	-	5,935	6,926	-	6,926
Investments	-	1,133	1,133	-	1,668	1,668
Due from shareholders' operations	155,748	-	155,748	139,901	-	139,901
Property and equipment, net	1,634	-	1,634	1,523	-	1,523
Intangible assets, net	706	-	706	899	-	899
Right of use assets, net	1,506	-	1,506	679	-	679
Statutory deposit	-	22,500	22,500	-	22,500	22,500
Accrued commission income on statutory deposit	-	4,648	4,648	-	4,545	4,545
	251,616	218,423	470,039	269,026	216,800	485,826
Less: Inter-operations eliminations	(155,748)	-	(155,748)	(139,901)	-	(139,901)
TOTAL ASSETS	95,868	218,423	314,291	129,125	216,800	345,925

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

a) Interim condensed statement of financial position – (continued)

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>LIABILITIES</u>						
Accrued and other liabilities	60,935	20	60,955	53,860	349	54,209
Unearned premiums	92,593	-	92,593	108,727	-	108,727
Outstanding claims	39,189	-	39,189	46,806	-	46,806
Claims incurred but not reported	19,977	-	19,977	15,745	-	15,745
Premium deficiency reserve	30,745	-	30,745	34,527	-	34,527
Other technical reserves	396	-	396	391	-	391
Due to insurance operations	-	155,748	155,748	-	139,901	139,901
End-of-service indemnities	5,697	-	5,697	5,787	-	5,787
Lease liabilities	1,151	-	1,151	2,250	-	2,250
Zakat and income tax provision	-	13,750	13,750	-	13,250	13,250
Accrued commission income payable to SAMA	-	4,648	4,648	-	4,545	4,545
	250,683	174,166	424,849	268,093	158,045	426,138
Less: Inter-operations eliminations	-	(155,748)	(155,748)	-	(139,901)	(139,901)
<u>TOTAL LIABILITIES</u>	250,683	18,418	269,101	268,093	18,144	286,237
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	150,000	150,000	-	150,000	150,000
Accumulated losses	-	(105,743)	(105,743)	-	(91,245)	(91,245)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	44,257	44,257	-	58,755	58,755
Re-measurement reserve of defined indemnities obligation	933	-	933	933	-	933
<u>TOTAL EQUITY</u>	933	44,257	45,190	933	58,755	59,688
<u>TOTAL LIABILITIES AND EQUITY</u>	251,616	62,675	314,291	269,026	76,899	345,925

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

For the three-month period ended 30 June

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written:						
- Individual	46	-	46	2,116	-	2,116
- Micro enterprises	2,062	-	2,062	5,763	-	5,763
- Small enterprises	20,497	-	20,497	16,751	-	16,751
- Medium enterprises	11,124	-	11,124	10,932	-	10,932
- Large enterprises	8,539	-	8,539	11,241	-	11,241
Total gross premiums written	42,268	-	42,268	46,803	-	46,803
Net premiums written	42,268	-	42,268	46,803	-	46,803
Changes in unearned premiums – net	15,273	-	15,273	(6,924)	-	(6,924)
Net premiums earned	57,541	-	57,541	39,879	-	39,879
TOTAL REVENUES	57,541	-	57,541	39,879	-	39,879
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	44,645	-	44,645	40,378	-	40,378
Net claims paid	44,645	-	44,645	40,378	-	40,378
Changes in outstanding claims – net	(1,147)	-	(1,147)	(4,841)	-	(4,841)
Changes in claims incurred but not reported – net	3,254	-	3,254	271	-	271
Net claims incurred	46,752	-	46,752	35,808	-	35,808
Changes in premium deficiency reserve	(7,161)	-	(7,161)	3,432	-	3,432
Changes in other technical reserves	26	-	26	(21)	-	(21)
Policy acquisition costs	3,590	-	3,590	2,046	-	2,046
Other underwriting expenses	2,714	-	2,714	1,768	-	1,768
TOTAL UNDERWRITING COSTS AND EXPENSES	45,921	-	45,921	43,033	-	43,033
NET UNDERWRITING INCOME / (LOSS)	11,620	-	11,620	(3,154)	-	(3,154)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

For the three-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
(Allowance for) / release of doubtful debts	(3,144)	-	(3,144)	1,933	-	1,933
General and administrative expenses	(8,822)	(771)	(9,593)	(12,154)	(1,657)	(13,811)
Commission income on deposits	-	1,072	1,072	-	960	960
Unrealized (loss) / gain on investments	-	(9)	(9)	-	144	144
Realized gain on investments	-	-	-	-	5,431	5,431
Other income / (expense)	2,819	-	2,819	(65)	-	(65)
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(9,147)	292	(8,855)	(10,286)	4,878	(5,408)
NET INCOME / (LOSS) FOR THE PERIOD	2,473	292	2,765	(13,440)	4,878	(8,562)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net income / (loss) for the period attributed to shareholders' operations before zakat	2,473	292	2,765	(13,440)	4,878	(8,562)
Zakat income / (expense)	-	250	250	-	(750)	(750)
Net income / (loss) for the period attributed to shareholders	2,473	542	3,015	(13,440)	4,128	(9,312)
<u>Earning / (loss) per share (Expressed in SAR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands shares)			15,000			15,000
Basic and diluted earning / (loss) per share for the period (SR\Share)			0.20			(0.62)

c) Interim condensed statement of comprehensive income

For the three-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
Net income / (loss) for the period attributable to shareholders	-	3,015	3,015	-	(9,312)	(9,312)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	-	3,015	3,015	-	(9,312)	(9,312)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income

For the six-month period ended 30 June

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written:						
- Individual	1,842	-	1,842	3,614	-	3,614
- Micro enterprises	9,505	-	9,505	9,891	-	9,891
- Small enterprises	43,231	-	43,231	30,412	-	30,412
- Medium enterprises	24,067	-	24,067	23,878	-	23,878
- Large enterprises	17,925	-	17,925	24,078	-	24,078
Total gross premiums written	96,570	-	96,570	91,873	-	91,873
Net premiums written	96,570	-	96,570	91,873	-	91,873
Changes in unearned premiums – net	16,134	-	16,134	(13,905)	-	(13,905)
Net premiums earned	112,704	-	112,704	77,968	-	77,968
TOTAL REVENUES	112,704	-	112,704	77,968	-	77,968
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	105,422	-	105,422	76,115	-	76,115
Net claims paid	105,422	-	105,422	76,115	-	76,115
Changes in outstanding claims – net	(7,617)	-	(7,617)	(4,563)	-	(4,563)
Changes in claims incurred but not reported – net	4,231	-	4,231	1,464	-	1,464
Net claims incurred	102,036	-	102,036	73,016	-	73,016
Changes in Premium deficiency reserve	(3,782)	-	(3,782)	8,308	-	8,308
Changes in Other technical reserves	4	-	4	(8)	-	(8)
Policy acquisition costs	6,965	-	6,965	3,781	-	3,781
Other underwriting expenses	5,399	-	5,399	3,186	-	3,186
TOTAL UNDERWRITING COSTS AND EXPENSES	110,622	-	110,622	88,283	-	88,283
NET UNDERWRITING INCOME / (LOSS)	2,082	-	2,082	(10,315)	-	(10,315)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income – (continued)

For the six-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts	(3,689)	-	(3,689)	(820)	-	(820)
General and administrative expenses	(16,189)	(1,045)	(17,234)	(23,023)	(3,100)	(26,123)
Commission income on deposits	-	1,893	1,893	-	1,840	1,840
Unrealized gain on investments	-	131	131	-	188	188
Realized gain on investments	-	-	-	-	5,431	5,431
Other income	2,819	-	2,819	101	-	101
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(17,059)	979	(16,080)	(23,742)	4,359	(19,383)
NET INCOME / (LOSS) FOR THE PERIOD	(14,977)	979	(13,998)	(34,057)	4,359	(29,698)
Net Income / (Loss) attributed to the insurance operations	-	-	-	-	-	-
Net Income / (loss) for the period attributed to shareholders' operations before zakat	(14,977)	979	(13,998)	(34,057)	4,359	(29,698)
Zakat expense	-	(500)	(500)	-	(1,500)	(1,500)
Net Income / (loss) for the period attributed to shareholders	(14,977)	479	(14,498)	(34,057)	2,859	(31,198)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands shares)			<u>15,000</u>			<u>15,000</u>
Basic and diluted loss per share for the period (SR\Share)			<u>(0.97)</u>			<u>(2.08)</u>

e) Interim statement of comprehensive income

For the six-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
Net loss for the period attributable to shareholders	-	(14,498)	(14,498)	-	(31,198)	(31,198)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(14,498)	(14,498)	-	(31,198)	(31,198)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows

For the six-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat	-	(13,998)	(13,998)	-	(29,698)	(29,698)
Adjustments for non-cash items:						
Depreciation of property and equipment	413	-	413	550	-	550
Depreciation of right of use assets	721	-	721	854	-	854
Finance cost on lease liabilities	3	-	3	32	-	32
Amortization of intangible assets	193	-	193	247	-	247
Allowance of doubtful debts	3,689	-	3,689	820	-	820
Unrealized gain on investments	-	(131)	(131)	-	(188)	(188)
Realized gain on investment	-	-	-	-	(5,431)	(5,431)
Provision for end-of-service indemnities	463	-	463	546	-	546
	5,482	(14,129)	(8,647)	3,049	(35,317)	(32,268)
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	1,605	-	1,605	(703)	-	(703)
Reinsurer share of outstanding claims	-	-	-	73	-	73
Deferred policy acquisition costs	991	-	991	(1,797)	-	(1,797)
Prepaid expenses and other assets	(1,213)	(154)	(1,367)	1,803	180	1,983
Accrued and other liabilities	7,075	(329)	6,746	(2,449)	1,516	(933)
Accrued commission income on statutory deposit	-	(103)	(103)	-	(95)	(95)
Unearned premiums	(16,134)	-	(16,134)	13,901	-	13,901
Outstanding claims	(7,617)	-	(7,617)	(4,637)	-	(4,637)
Claims incurred but not reported	4,232	-	4,232	1,464	-	1,464
Premium deficiency reserve	(3,782)	-	(3,782)	8,308	-	8,308
Other technical reserves	5	-	5	(8)	-	(8)
Accrued commission income payable to SAMA	-	103	103	-	95	95
Due to Insurance Operations	-	15,847	15,847	-	11,217	11,217
Due from Shareholders' Operations	(15,847)	-	(15,847)	(11,217)	-	(11,217)
Cash (used in) / generated from operations	(25,203)	1,235	(23,968)	7,787	(22,404)	(14,617)
End-of-service indemnities paid	(553)	-	(553)	(146)	-	(146)
Zakat paid	-	-	-	-	(2,737)	(2,737)
Net cash (used in) / generated from operating activities	(25,756)	1,235	(24,521)	7,641	(25,141)	(17,500)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

19. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows – (continued)

For the six-month period ended 30 June	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement of short term murabaha deposits	-	10,939	10,939	-	28,427	28,427
Proceeds from the sale of investments	-	666	666	-	66,302	66,302
Addition in right of use assets - net	(2,250)	-	(2,250)	-	-	-
Purchase of property and equipment	(524)	-	(524)	(438)	-	(438)
Purchase of intangible assets	-	-	-	(187)	-	(187)
Net cash (used in) / generated from investing activities	(2,774)	11,605	8,831	(625)	94,729	94,104
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of finance lease	(400)	-	(400)	-	-	-
Net cash used in financing activities	(400)	-	(400)	-	-	-
Net change in cash and cash equivalents	(28,930)	12,840	(16,090)	7,016	69,588	76,604
Cash and cash equivalents, beginning of the period	49,959	109,193	159,152	13,641	101,585	115,226
Cash and cash equivalents, end of the period	21,029	122,033	143,062	20,657	171,173	191,830

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 13 Muharram 1444H, corresponding to 11 August 2022.