
SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders'
Salama Cooperative Insurance Company
(A Saudi Joint Stock Company)
Kingdom of Saudi Arabia

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of **Salama Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2022, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-months period 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 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 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 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 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 information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.



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**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)**

EMPHASIS OF MATTER

We draw attention to note 3 in the accompanying interim condensed financial statements, which indicates that the Company having accumulated losses amounting to SR 167.09 million being 66.84% of its capital (31 December 2021: SR 158.77 million being 63.51% of its capital). The solvency of the Company as of 31 March 2022 has reached 70.74% (31 December 2021: 73.52%). On 17 March 2022, the Board of Directors in their meeting have recommended a decrease in the Company's capital through netting-off with the accumulated losses with a total value of SR 150 million and utilize the entire balance of the statutory reserve of SR 5 million. As stated in note 3, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER MATTER

The interim condensed financial statements of the Company for the three-month period ended 31 March 2021 have been reviewed by another auditor who expressed a qualified conclusion on these interim condensed financial statements on 30 May 2021 (16 Shawwal 1442H). The reason of a qualified conclusion was due to the excess of loss expenses which were resulted in credit during this quarter instead of debit balances and were unable to determine the possible impact on the interim condensed financial statements for the period ended 31 March 2021.

**For Alazem, AlSudairy, AlShaikh and Partners
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Certified Public Accountant
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Certified Public Accountants**

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24 Shawwal 1443H
Corresponding to 25 May 2022



SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
<u>ASSETS</u>			
Cash and cash equivalents	4 (a)	123,591	124,016
Term deposits	4 (b)	169,190	97,000
Premiums and reinsurers' receivable – net	5	68,544	54,672
Reinsurers' share of unearned premiums	7.2	27,589	25,555
Reinsurers' share of outstanding claims	7.1	15,810	19,975
Reinsurers' share of claims incurred but not reported	7.1	12,269	13,866
Deferred policy acquisition costs		31,367	27,707
Investments	6	97,353	168,453
Prepaid expenses and other assets	8	22,506	19,154
Right of use assets – net		17,131	18,231
Property and equipment – net		7,624	4,107
Intangible assets – net		377	418
Statutory deposit	9	37,500	37,500
Accrued commission on statutory deposit	9	4,000	3,887
<u>TOTAL ASSETS</u>		634,851	614,541
<u>LIABILITIES</u>			
Policyholders claims payable		12,270	11,421
Accrued expenses and other liabilities		45,608	35,982
Lease liabilities		17,467	20,335
Reinsurers' balances payable		1,364	984
Unearned premiums	7.2	258,979	228,830
Unearned reinsurance commission		4,697	4,351
Outstanding claims	7.1	20,599	22,859
Claims incurred but not reported	7.1	114,573	123,883
Premium deficiency reserve	7.1	7,117	6,700
Other technical reserves		9,360	7,892
Employee benefit obligations		6,120	7,895
Surplus distribution payable		15,409	15,409
Provision for zakat		29,129	27,629
Accrued commission income payable to SAMA	9	4,000	3,887
<u>TOTAL LIABILITIES</u>		546,692	518,057
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	15	250,000	250,000
Statutory reserve		5,003	5,003
Accumulated losses		(167,092)	(158,767)
<u>TOTAL SHAREHOLDERS' EQUITY</u>		87,911	96,236
Re-measurement reserve of defined benefit obligations – related to insurance operations		248	248
<u>TOTAL EQUITY</u>		88,159	96,484
<u>TOTAL LIABILITIES AND EQUITY</u>		634,851	614,541
COMMITMENTS AND CONTINGENCIES	10	10,200	10,200

Chief Executive Officer

Chief Financial Officer

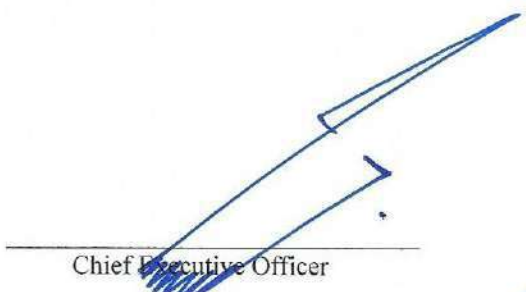
Chairman

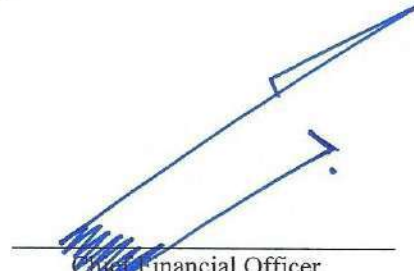
The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

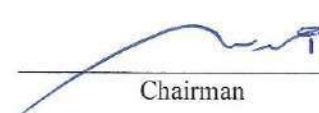
SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three month period ended 31 March</i>	
	2022 (Unaudited) SR'000	2021 Restated (Unaudited) SR'000
<u>REVENUES</u>		
Gross premiums written	147,050	118,236
Reinsurance premiums ceded		
- Local	(295)	(302)
- Foreign	(15,080)	(13,342)
	(15,375)	(13,644)
Excess of loss expenses		
- Local	(133)	153
- Foreign	(1,850)	534
	(1,983)	687
Net premiums written	129,692	105,279
Changes in unearned premiums – net	(28,115)	(6,535)
Net premiums earned	101,577	98,744
Reinsurance commissions	2,253	2,114
Other underwriting income	345	66
<u>TOTAL REVENUES</u>	104,175	100,924
<u>UNDERWRITING COSTS AND EXPENSES</u>		
Gross claims paid	93,572	80,479
Reinsurers' share of claims paid	(9,429)	(7,168)
Net claims paid	84,143	73,311
Changes in outstanding claims – net	1,904	5,587
Changes in claims incurred but not reported – net	(7,713)	(13,116)
Net claims incurred	78,334	65,782
Change in premium deficiency reserve	417	-
Change in other technical reserves	1,469	4,163
Policy acquisition costs	5,556	6,103
Other underwriting expenses	14,484	8,564
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	100,260	84,612
NET UNDERWRITING INCOME	3,915	16,312


 Chief Executive Officer


 Chief Financial Officer


 Chairman

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME - UNAUDITED (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

		<i>Three month period ended 31 March</i>	
		2022	2021
		(Unaudited)	Restated (Unaudited)
Notes		SR'000	SR'000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
	5	(1,650)	(805)
Allowance for doubtful debts			
General and administrative expenses		(17,514)	(20,252)
Realized gain on investments	6.(a)	5,898	-
Investment income		2,549	1,061
Unrealized (loss) / gain on investments	6.(a)	(26)	3,719
Other income		3	29
<u>TOTAL OTHER OPERATING EXPENSES</u>		<u>(10,740)</u>	<u>(16,248)</u>
(Loss) / income before surplus and zakat		(6,825)	64
Income attributed to the insurance operations		-	-
(Loss) / income for the period attributable to the shareholders before zakat		(6,825)	64
Zakat	14	(1,500)	(1,500)
Net loss for the period – attributable to the shareholders		<u>(8,325)</u>	<u>(1,436)</u>
Weighted average number of ordinary shares outstanding		<u>25,000</u>	<u>25,000</u>
Basic and diluted loss per share	17	<u>(0.33)</u>	<u>(0.06)</u>

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three month period ended 31 March</i>	
	2022 (Unaudited) SR'000	2021 Restated (Unaudited) SR'000
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(8,325)	(1,436)
Other comprehensive income	-	-
Total comprehensive loss for the period	(8,325)	(1,436)

Chief Executive Officer

Chief Financial Officer

Chairman

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SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

<u>2022</u>	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
Balance as at 31 December 2021 (audited)	250,000	5,003	(158,767)	248	96,484
Total comprehensive income for the period					
Net loss for the period – Attributable to shareholders	-	-	(8,325)	-	(8,325)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	(8,325)	-	(8,325)
Balance as at 31 March 2022 (unaudited)	250,000	5,003	(167,092)	248	88,159

<u>2021</u>	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total equity SR'000
Balance as at 31 December 2020 (audited) – restated	250,000	5,003	(46,357)	(52)	208,594
Total comprehensive income for the period					
Net loss for the period – Attributable to shareholders – restated	-	-	(1,436)	-	(1,436)
Other comprehensive income / (loss)	-	-	-	-	-
Total comprehensive loss for the period	-	-	(1,436)	-	(1,436)
Balance as at 31 March 2021 (unaudited) – restated	250,000	5,003	(47,793)	(52)	207,158

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three month period ended 31 March</i>	
	2022	2021
	(Unaudited)	Restated
	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / income for the period before zakat	(6,825)	64
<i>Adjustments for non-cash items:</i>		
Net income attributed to insurance operations	-	-
Depreciation of property and equipment	794	968
Amortization of intangible assets	41	436
Depreciation of right-of-use assets	1,100	962
Finance cost on lease liabilities	-	314
Allowance for doubtful debts	1,650	805
Unrealized loss / (gain) on investments at fair value through statement of income	26	(3,719)
Realized gain on investments at fair value through statement of income	(5,897)	-
	(9,111)	(170)
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurers' receivable	(15,522)	(10,631)
Reinsurers' share of unearned premiums	(2,034)	(2,551)
Reinsurers' share of outstanding claims	4,165	5,670
Reinsurers' share of claims Incurred but not reported	1,597	1,093
Deferred policy acquisition costs	(3,660)	(3,265)
Prepaid expenses and other assets	(3,352)	15,851
Accrued commission from statutory deposit	(113)	(38)
Policyholders and claims payable	849	(4,879)
Accrued expense and other liabilities	9,626	19,762
Reinsurers' balances payable	380	(1,545)
Unearned premiums	30,149	9,086
Unearned reinsurance commission	346	266
Outstanding claims	(2,260)	(83)
Claims incurred but not reported	(9,310)	(14,209)
Premium deficiency reserves	417	-
Other technical reserves	1,468	4,163
Accrued commission income payable to SAMA	113	38
	3,748	18,558
Withholding tax paid	-	(4,963)
Employee benefits paid	(1,775)	(258)
Net cash flows generated from operating activities	1,973	13,337

Chief Executive Officer

Chief Financial Officer

Chairman


The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – UNAUDITED – (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three month period ended 31 March</i>	
	2022 (Unaudited) SR'000	2021 Restated (Unaudited) SR'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,090)	(51,350)
Proceeds from sale of investments	74,078	4,467
Placement of term deposits	(172,190)	-
Proceeds from maturity of term deposit	100,000	50,363
Proceeds from held to maturity investments	4,983	-
Purchase of property and equipment	(4,311)	(80)
Net cash flows generated from investing activities	470	3,400
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,868)	(298)
Net cash flows used in financing activities	(2,868)	(298)
Net change in cash and cash equivalents	(425)	16,439
Cash and cash equivalents, beginning of the period	124,016	159,246
Cash and cash equivalents, end of the period	123,591	175,685


Chief Executive Officer


Chief Financial Officer


Chairman

The accompanying notes from 1 – 21 form an integral part of these interim condensed financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

1. GENERAL

Salama Cooperative Insurance Company (“the Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal 1428H (corresponding to 23 May 2007).

The registered office address of the Company is:

Salama Tower;
Al Madinah Road
P.O. Box 4020;
Jeddah 21491;
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

2. BASIS OF PREPARATION

a. Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed financial statements are prepared under the going concern basis of accounting and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair values, and employee benefit obligations which are assessed using projected unit credit method.

The Company’s interim condensed statement of financial position is presented in order of liquidity. Except for property and equipment, right of use asset, intangible asset, statutory deposit, employee benefit obligations, lease liabilities, outstanding claims, claims incurred but not reported, other technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (“the Implementation Regulations”), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts (Refer note 18).

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 (SR) and are rounded off to the nearest thousands.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

2. BASIS OF PREPARATION – (continued)

b. Critical accounting judgments, 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 expense. Actual results may differ from these 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. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management is unable at this time to reasonably quantify the estimation uncertainties as disclosed in note 21 to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions 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 2021 except as mentioned below:

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- Require contractual changes or changes to cash flows that are required by the IBOR reform, to be treated as changes to a floating interest rate equivalent to the changes in the market interest rate.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed financial statements of the Company.

The Company intends to use the practical expedients in future periods if they become applicable.

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance contracts	See below
IFRS 9	Financial Instrument	See below
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a contract	1 January 2023

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b) Standards issued but not yet effective – (continued)

IFRS 17 – Insurance Contracts

Overview

This standard has been published in 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

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. 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”:

- 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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (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, in addition to the adjustment under GMM, the CSM is also adjusted for:

- i. the entity’s share of the changes in the fair value of underlying items,
- ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 17 – Insurance Contracts – (continued)

Measurement – (continued)

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts 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 Measurement Model remains applicable for the measurement of the liability for 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 IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 - Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 during 2020. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 17 – Insurance Contracts – (continued)

Impact

The Company has completed the design phase of IFRS 17 implementation in which company has designed and developed new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Impact Area	Summary of impact
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3.
IT Systems	The Company is already in the process of implementing a new upgraded IT solution (Iris) which will facilitate the implementation of IFRS 17.
Impact on RI Arrangements	Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products.
Impact on Policies & Control Frameworks	<p>The company has updated the Accounting Policies and in the process of updating the Procedures to cover the following new and additional requirements:</p> <ul style="list-style-type: none"> • Unbundling • Level of aggregation • Measurement models • Risk Adjustment Methodologies • New presentation and disclosure requirements <p>The revised manual to be followed by Finance function to ensure that financial statements are in conformity with International Financial Reporting Standards 17 (IFRS 17) on effective date.</p>
Human resources	The Company has recruited suitably qualified personnel who have a comprehensive understanding of IFRS 17 and also provide trainings to the existing employees.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 17 – Insurance Contracts – (continued)

Impact

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

Major areas of design phase	Summary of impact
Governance and control	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company has designed operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company has finalized architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and is in the process of implementing IFRS 17 solution.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
IT Systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

After the design phase, where all the methodologies and policy decisions has been documented and concluded by the Company in last year, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs and has started the implementation of the IFRS 17 solution, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis. The company was required to prepare the complete set of financial statement under IFRS 17 based on FY 2020 data and provide comparison between IFRS 17 and IFRS 4 under the first dry run, which was due on 30 November 2021. The Company has successfully submitted the results as per the 1st dry run.

Company is also required to produce two more Dry Runs based on 31 December 31 2021 and 30 June 2022 data in 2022 which are due by 31 May 2022 and 29 September 2022.

IFRS 9 – Financial Instruments

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

Classification and measurement

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at 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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 9 – Financial Instruments – (continued)

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.

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.

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model.

The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 1 January 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
2. annual reporting periods beginning on or after 01 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 predominantly connected with insurance and have not applied IFRS 9 previously; or,
3. 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 of 1 January 2020 which included below:

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.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 9 – Financial Instruments – (continued)

Impact assessment

As at 31 March 2022, the Company has total financial assets (including premiums and reinsurers' receivable – net) and insurance related assets amounting to SR 522,684 thousand (2021: SR 504,682 thousand) and SR 127,579 thousand (2021: 141,775 thousand), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables. Other financial assets consist of available for sale investments amounting to SR 1,923 thousand (2021: 1,923 thousand). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments.

The Company has completed the gap analysis in relation to this standard and has started its journey towards executing the second phase, i.e., Implementation and Dry Runs. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets.

The Company is required to prepare financial position and income statement under IFRS 9 based on 31 December 2021 and 30 June 2022 data and provide comparison between IFRS 9 and IAS 39 under the first and second dry runs, which are due on 31 May 2022 and 29 September 2022 respectively.

Going Concern

During the period ended, the Company has incurred losses amounting to SR 8.32 million (2021: SR 112 million) that resulted in an increase of accumulated losses and reaching to 66.84% (2021: 63.51%) of its Capital. On 17 March 2022, the Board of Directors recommended restructuring the Company's capital in line with Article 150 of the new Companies Law to cover the accumulated losses. The Board of Directors recommended to decrease the accumulated losses by netting-off with the share capital of SR 150 million and utilize the entire balance of SR 5 million from the statutory reserve. The Solvency margin of the Company as at 31 March 2022 is 70.74% (2021:73.52%) which is less than 100% as required by SAMA implementing regulations.

The recommendation to reduce the Company's share capital and statutory reserve is subject to the approval of the related official authorities including SAMA and the Capital Market Authority, and the approval of the extraordinary general assembly.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

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4. CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

a) Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Bank balances and cash	123,560	123,527
	Shareholders' operations	
	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Bank balances	31	489
Total	123,591	124,016

b) Term deposits

	Insurance operations	
	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Term deposits	169,190	97,000

The term deposits are held with the commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three-months and less than twelve-months. As at 31 March 2022, the deposit carrying commission rates ranging from 0.95% to 4.2% (2021: from 0.95% to 4.2%).

5. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Policyholders	107,378	92,983
Receivables from reinsurers	7,200	6,073
	114,578	99,056
Allowances for doubtful receivables	(46,034)	(44,384)
Premiums and reinsurers' receivable – net	68,544	54,672

Movement in allowances for doubtful receivables during the period / year was as follows:

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Balance at the beginning of the period / year	44,384	37,368
Provision for the period / year	1,650	7,016
Balance at the end of the period / year	46,034	44,384

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6. INVESTMENTS

Investments are classified as follows:

		Insurance operations	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
- Held as FVSI (6- a)		10,190	42,600
- Held to maturity (6- c)		10,000	10,000
<i>Total – Insurance operations</i>		20,190	52,600
		Shareholders' operations	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
- Held as FVSI (6- a)		25,240	58,947
- Available for sale (6- b)		1,923	1,923
- Held to maturity (6- c)		50,000	54,983
<i>Total – Shareholders' operations</i>		77,163	115,853
<i>Total</i>		97,353	168,453

a) FVSI

Movement in FVSI investment balance is as follows:

		Insurance operations	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance		42,600	103,021
Purchases during the period / year		1,633	2,998
Disposals during the period / year		(37,916)	(62,896)
Realized gain / (loss) during the period / year		3,899	(1,170)
Changes in fair value		(26)	647
Closing balance		10,190	42,600
		Source of Fair Value	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Investment in equity securities	Quoted	-	32,384
Local DPM*money market securities	NAV**	10,190	10,216
		10,190	42,600

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6. INVESTMENTS – (continued)

a) FVSI – (continued)

		Shareholders' operations	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance		58,947	48,947
Purchased during the period / year		457	5,840
Disposals during the period / year		(36,162)	(5,311)
Realized gain / (loss) during the period / year		1,998	(5)
Changes in fair value		-	9,476
Closing balance		25,240	58,947
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
	<i>Source of Fair Value</i>		
Units in local real estate funds	NAV**	9,394	9,394
Local DPM* money market securities	NAV**	15,705	15,705
Local DPM* equity securities	Quoted	141	33,848
Total		25,240	58,947

* Managed at the discretion of a local regulated financial institution ("DPM").

** NAV: Net Asset Value as announced by asset manager.

b) Available for sale investments

Movement in available-for-sale investment balance is as follows:

		Shareholders' operations	
		31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance		1,923	1,923
Closing balance		1,923	1,923

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (31 December 2021: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

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6. INVESTMENTS – (continued)

c) Held to maturity

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance	10,000	10,000
Closing balance	10,000	10,000

	Shareholders' operations	
	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance	54,983	4,983
Purchased during the period / year	-	50,000
Matured during the period / year	(4,983)	-
Closing balance	50,000	54,983

7. TECHNICAL RESERVES

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Gross outstanding claims	50,856	57,225
Less: Realizable value of salvage and subrogation	(30,257)	(34,366)
Net outstanding claims	20,599	22,859
Claims incurred but not reported	114,573	123,883
Premium deficiency reserve	7,117	6,700
Other technical reserves	9,360	7,892
	151,649	161,334
Less:		
- Reinsurers' share of outstanding claims	(15,810)	(19,975)
- Reinsurers' share of claims incurred but not reported	(12,269)	(13,866)
	(28,079)	(33,841)
Net outstanding claims and reserves	123,570	127,493

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7. TECHNICAL RESERVES – (continued)

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

Three month ended 31 March 2022			
(Unaudited)			
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	228,830	(25,555)	203,275
Premium written during the period	147,050	(17,358)	129,692
Premium earned during the period	(116,901)	15,324	(101,577)
Balance as at the end of the period	258,979	(27,589)	231,390

Year ended 31 December 2021			
(Audited)			
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	218,302	(23,270)	195,032
Premium written during the year	467,531	(59,949)	407,582
Premium earned during the year	(457,003)	57,664	(399,339)
Balance as at the end of the year	228,830	(25,555)	203,275

8. PREPAID EXPENSES AND OTHER ASSETS

		Insurance operations	
	31 March 2022	31 December 2021	
	(Unaudited)	(Audited)	
	SR'000	SR'000	
Prepayments	3,377	1,504	
Advances to staff	1,034	2,619	
Deposits	300	300	
Accrued commission	1,382	444	
Other receivables *	16,172	13,914	
	22,265	18,781	

		Shareholders' operations	
	31 March 2022	31 December 2021	
	(Unaudited)	(Audited)	
	SR'000	SR'000	
Other receivables	241	373	
Total	22,506	19,154	

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9. STATUTORY DEPOSIT

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Statutory deposit	<u>37,500</u>	<u>37,500</u>

As required by Saudi Arabian Insurance Regulations, the Company has deposited an amount equivalent to 15% of its paid up capital amount of SR 37.5 million (2021: SR 37.5 million) in a bank designated by the Saudi Central Bank ("SAMA"). Accrued income on this deposit is payable to SAMA amounting to SR 4 million (2021: SR 3.88 million) and this deposit cannot be withdrawn without approval from SAMA.

10. COMMITMENTS AND CONTINGENCIES

a. The Company's commitments and contingencies are as follows:

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Letters of guarantee in favour of non-government customers	<u>700</u>	<u>700</u>
Letters of guarantee in favour of ZATCA	<u>9,500</u>	<u>9,500</u>
	<u>10,200</u>	<u>10,200</u>

- b. The Company enters into insurance contracts 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 the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.
- c. The Company's bankers have given guarantees to non-government customers amounting to SR 0.7 million (2021: SR 0.7 million) in respect of motor insurance and to Zakat, Tax and Customs Authority amounting to SR 9.5 million (2021: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012. During 2021, the Company have settled the liability from 2008 to 2012 and requested ZATCA to release the bank guarantee amounting to SR 9.5 million.

11. 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 advantages 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 information.

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.

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 not measured at fair value if the carrying amount is a reasonably approximate to fair value.

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11. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value – (continued)

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 March 2022 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	-	-	10,190	10,190
	-	-	10,190	10,190

Insurance Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2021 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	32,384	-	10,216	42,600
	32,384	-	10,216	42,600

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 March 2022 (Unaudited)				
Financial assets measured at fair value				
- Investments held as FVSI	141	-	25,099	25,240
	141	-	25,099	25,240

Shareholders' Operations	Fair value			
	Level 1	Level 2	Level 3	Total
	SR'000			
31 December 2021 (Audited)				
Financial assets measured at fair value				
- Investments held as FVSI	33,848	-	25,099	58,947
	33,848	-	25,099	58,947

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12. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2021.

Segment assets do not include cash and cash equivalents, short term deposits, premiums and reinsurers' receivable, net, prepayments and other receivables, amount due from a related party, investments, furniture, fittings and office equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. 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 2022 and 31 December 2021, its total revenues, expenses, and net income for the three-month and nine-months period then ended, are as follows:

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12. OPERATING SEGMENTS – (continued)

As at 31 March 2022 (Unaudited)						
	Insurance operations			Insurance operations	Shareholders' operations	Total
	Medical	Motor	Others			
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	18,917	8,672	27,589	-	27,589
Reinsurers' share of outstanding claims	-	(1,159)	16,969	15,810	-	15,810
Reinsurers' share of claims incurred but not reported	852	9,354	2,063	12,269	-	12,269
Deferred policy acquisition costs	5,770	22,888	2,709	31,367	-	31,367
Unallocated assets				428,881	118,935	547,816
Total assets				515,916	118,935	634,851
Liabilities						
Unearned premiums	50,197	189,180	19,602	258,979	-	258,979
Unearned reinsurance commission	-	2,229	2,468	4,697	-	4,697
Outstanding claims	6,077	(10,702)	25,224	20,599	-	20,599
Claims incurred but not reported	10,961	100,121	3,491	114,573	-	114,573
Premium deficiency reserve	-	5,995	1,122	7,117	-	7,117
Other technical reserves	3,317	5,166	877	9,360	-	9,360
Unallocated liabilities and surplus				98,238	33,129	131,367
Total liabilities				513,563	33,129	546,692
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(167,092)	(167,092)
Total Shareholders' equity				-	87,911	87,911
Re-measurement reserve of defined benefit obligation – related to insurance operations				248	-	248
Total equity				248	87,911	88,159
Total liabilities and equity				513,811	121,040	634,851

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12. OPERATING SEGMENTS – (continued)

	As at 31 December 2021 (Audited)					
	Insurance operations			Insurance operations	Shareholders' operations	Total
	Medical	Motor	Others			
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	16,829	8,726	25,555	-	25,555
Reinsurers' share of outstanding claims	-	(1,476)	21,451	19,975	-	19,975
Reinsurers' share of claims incurred but not reported	915	9,885	3,066	13,866	-	13,866
Deferred policy acquisition costs	4,547	20,700	2,460	27,707	-	27,707
Unallocated assets				369,336	158,102	527,438
Total assets				<u>456,439</u>	<u>158,102</u>	<u>614,541</u>
Liabilities						
Unearned premiums	41,948	168,303	18,579	228,830	-	228,830
Unearned reinsurance commission	-	1,960	2,391	4,351	-	4,351
Outstanding claims	7,627	(13,630)	28,862	22,859	-	22,859
Claims incurred but not reported	10,751	108,154	4,978	123,883	-	123,883
Premium deficiency reserve	-	5,892	808	6,700	-	6,700
Other technical reserves	794	5,524	1,574	7,892	-	7,892
Unallocated liabilities and surplus				92,026	31,516	123,542
Total liabilities				<u>486,541</u>	<u>31,516</u>	<u>518,057</u>
Shareholders' equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(158,767)	(158,767)
Total Shareholders' equity				-	96,236	96,236
Re-measurement reserve of defined benefit obligation – related to insurance operations				248	-	248
Total equity				<u>248</u>	<u>96,236</u>	<u>96,484</u>
Total liabilities and equity				<u>486,789</u>	<u>127,752</u>	<u>614,541</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

12. OPERATING SEGMENTS – (continued)

For the three month period ended 31 March 2022 (Unaudited)				
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	101,361	1,358	102,719
Large	4,090	1,353	3,673	9,116
Medium	1,195	2,111	1,698	5,004
Small	2,785	3,384	1,652	7,821
Very small	21,867	250	273	22,390
Gross premiums written	29,937	108,459	8,654	147,050
Reinsurance premiums ceded				
- Local	-	-	(295)	(295)
- Foreign	-	(10,822)	(4,258)	(15,080)
	-	(10,822)	(4,553)	(15,375)
Excess of loss expenses				
- Local	(102)	(31)	-	(133)
- Foreign	(917)	(581)	(352)	(1,850)
	(1,019)	(612)	(352)	(1,983)
Net premiums written	28,918	97,025	3,749	129,692
Changes in unearned premiums, net	(8,250)	(18,789)	(1,076)	(28,115)
Net premiums earned	20,668	78,236	2,673	101,577
Reinsurance commissions	-	1,003	1,250	2,253
Other underwriting income	116	-	229	345
TOTAL REVENUES	20,784	79,239	4,152	104,175
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	17,923	74,894	755	93,572
Reinsurers' share of claims paid	(1,424)	(7,523)	(482)	(9,429)
Net claims paid	16,499	67,371	273	84,143
Changes in outstanding claims, net	(1,551)	2,609	846	1,904
Changes in claims incurred but not reported, net	273	(7,502)	(484)	(7,713)
Net claims incurred	15,221	62,478	635	78,334
Changes in premium deficiency reserve	-	103	314	417
Changes in other technical reserves	1,687	(38)	(180)	1,469
Policy acquisition costs	1,446	3,156	954	5,556
Other underwriting expenses	1,944	12,454	86	14,484
TOTAL UNDERWRITING COSTS AND EXPENSES	20,298	78,153	1,809	100,260
NET UNDERWRITING INCOME	486	1,086	2,343	3,915
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(1,650)
General and administrative expenses				(17,514)
Realized gain on investments				5,898
Investment income				2,549
Unrealized loss on investments				(26)
Other income				3
TOTAL OTHER OPERATING EXPENSES				(10,740)
LOSS FOR THE PERIOD BEFORE ZAKAT				(6,825)
Zakat				(1,500)
NET LOSS FOR THE PERIOD				(8,325)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(8,325)

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12. OPERATING SEGMENTS – (continued)

	For the three month period ended 31 March 2021 (Unaudited) (Restated)			
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	77,354	1,453	78,807
Large	4,714	1,865	3,929	10,508
Medium	1,357	7,221	1,816	10,394
Small	2,034	2,171	1,768	5,973
Very small	11,672	590	292	12,554
Gross premiums written	19,777	89,201	9,258	118,236
Reinsurance premiums ceded				
- Local	-	-	(302)	(302)
- Foreign	-	(8,891)	(4,451)	(13,342)
	-	(8,891)	(4,753)	(13,644)
Excess of loss expenses				
- Local	113	105	(65)	153
- Foreign	1,396	(617)	(245)	534
	1,509	(512)	(310)	687
Net premiums written	21,286	79,798	4,195	105,279
Changes in unearned premiums, net	2,689	(6,477)	(2,747)	(6,535)
Net premiums earned	23,975	73,321	1,448	98,744
Reinsurance commissions	-	936	1,178	2,114
Other underwriting income	-	66	-	66
TOTAL REVENUES	23,975	74,323	2,626	100,924
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	17,601	62,137	741	80,479
Reinsurers' share of claims paid	(991)	(5,563)	(614)	(7,168)
Net claims paid	16,610	56,574	127	73,311
Changes in outstanding claims, net	234	7,429	(2,076)	5,587
Changes in claims incurred but not reported, net	(6,031)	(7,600)	515	(13,116)
Net claims incurred	10,813	56,403	(1,434)	65,782
Changes in other technical reserves	4,163	-	-	4,163
Policy acquisition costs	1,812	3,510	781	6,103
Other underwriting expenses	(25)	8,515	74	8,564
TOTAL UNDERWRITING COSTS AND EXPENSES	16,763	68,428	(579)	84,612
NET UNDERWRITING INCOME	7,212	5,895	3,205	16,312
OTHER OPERATING (EXPENSES) / INCOME				
Allowance for doubtful debts				(805)
General and administrative expenses				(20,252)
Investment income				1,061
Unrealized gain on investments				3,719
Other income				29
TOTAL OTHER OPERATING EXPENSES				(16,248)
INCOME FOR THE PERIOD BEFORE ZAKAT				64
Zakat				(1,500)
NET INCOME FOR THE PERIOD				(1,436)
Net income for the period attributable to insurance operations				-
Net loss for the period attributable to the shareholders'				(1,436)

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13. 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 Company has no transactions during the period ended 31 March 2022 and 31 March 2021.

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

	31 March 2022 (Unaudited) SR'000	31 March 2021 (Unaudited) SR'000
Salaries and other allowances	1,139	740
End of service indemnities	911	1,422
	2,050	2,162
Remuneration to those charged with governance	73	14

14. ZAKAT

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

	31 March 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Balance at the beginning of the period / year	27,629	31,131
Charge for the period / year	1,500	6,000
Paid during the period / year*	-	(9,502)
Balance at the end of the period / year	29,129	27,629

* included a withholding tax payment of SR 4.963 million.

b. Status of zakat assessments

The Company submitted the Zakat declarations for the year ended 31 December 2020 and obtained the necessary Zakat and tax certificate.

The ZATCA has issued assessments for the years from 2006 to 2012 amounting to SR 17.1 million which represents SR 9.3 million as zakat differences and SR 4.4 million as withholding tax differences and SR 3.4 million as withholding tax delay fines. The Company has settled the amount of withholding tax differences amounting to SR 4.4 million and partially settled the delay fines amounting to SR 3.1 million and accordingly issued a letter of guarantee amounting to SR 9.5 million on the favour of ZATCA for the zakat differences for the said years. The case is currently pending with the General Secretariat of the tax committees and their conclusion is awaited.

A settlement request was submitted to ZATCA to pay an amount of SR 3 million to close the case, but the Zakat disputes committee reached to a decision to settle an amount of SR 7.7 million to finalize the assessments for the said years. The ZATCA has rejected the Zakat disputes committee's decision with the completion of the hearing of the case raised to the Appeal Committee. The management expects that the volume of zakat liability will reach to SR 4.2 million and based on the objection and the information submitted to ZATCA and the committees.

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14. ZAKAT – (continued)

b. Status of zakat assessments – (continued)

The ZATCA has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to SR 1.2 million. The assessment was objected, and the objection was rejected by ZATCA. The case has been escalated to the Preliminary Committee of the Tax Committees and their decision is awaited. The management believes that the volume of zakat liability will reach to SR 1.2 million.

The ZATCA raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to SR 14.1 million, and withholding tax liability for the years from 2014 to 2018, amounting to SR 7 million. During 2021, the Company has settled the withholding tax differences to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty). The management believes that the volume of zakat liability will reach to SR 14.7 million.

During 2021, the Company received zakat assessments for the year 2019 and 2020 where ZATCA asking additional liability of SR 11.4 million. The Company objected and later reduced to SR 9.1 million. The Company made a payment of SR 2.3 million in order to object according to the zakat regulation. The objection has been referred to the General Secretariat of the Tax Committees and the case is still under discussion.

15. SHARE CAPITAL

The authorized and issued and fully paid share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

16. 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.

Subsequent to the period ended 31 March 2022, on 20 April 2022, the Company received a letter from the Saudi Central Bank (SAMA) regarding the decrease in the actual solvency margin of the Company below the required solvency margin according to the requirements of Article (66) of the Executive Regulations of the Insurance Companies Control Law. The letter instructed that the Company must comply with the requirements of Article (68) of the executive regulations of the Insurance Companies Control Law and submit a corrective plan to SAMA explaining the steps that the Company will take to improve its financial solvency and the necessary time period, within 15 working days from the date of the aforementioned letter above.

On 18 May 2022, the Company has submitted its response to SAMA regarding the corrective measures to improve the solvency margin at appropriate level.

In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial period.

17. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net losse after zakat for the period by the weighted average number of issued and outstanding shares for the period.

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18. SUPPLEMENTARY INFORMATION

a) Interim condensed statement of financial position

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	123,560	31	123,591	123,527	489	124,016
Term deposits	169,190	-	169,190	97,000	-	97,000
Premiums and reinsurers' receivable – net	68,544	-	68,544	54,672	-	54,672
Reinsurers' share of unearned premiums	27,589	-	27,589	25,555	-	25,555
Reinsurers' share of outstanding claims	15,810	-	15,810	19,975	-	19,975
Reinsurers' share of claims incurred but not reported	12,269	-	12,269	13,866	-	13,866
Deferred policy acquisition costs	31,367	-	31,367	27,707	-	27,707
Investments	20,190	77,163	97,353	52,600	115,853	168,453
Prepaid expenses and other assets	22,265	241	22,506	18,781	373	19,154
Right of use assets – net	17,131	-	17,131	18,231	-	18,231
Property and equipment	7,624	-	7,624	4,107	-	4,107
Intangible assets	377	-	377	418	-	418
Statutory deposit	-	37,500	37,500	-	37,500	37,500
Accrued commission on statutory deposit	-	4,000	4,000	-	3,887	3,887
Due from insurance operations	-	2,105	2,105	30,350	-	30,350
	515,916	121,040	636,956	486,789	158,102	644,891
Less: Inter-operations eliminations	-	(2,105)	(2,105)	(30,350)	-	(30,350)
TOTAL ASSETS	515,916	118,935	634,851	456,439	158,102	614,541

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18. SUPPLEMENTARY INFORMATION (continued)

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

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share- holders' operations SR '000	Total SR '000
<u>LIABILITIES</u>						
Policyholders claims payable	12,270	-	12,270	11,421	-	11,421
Accrued and other liabilities	45,608	-	45,608	35,982	-	35,982
Lease liabilities	17,467	-	17,467	20,335	-	20,335
Reinsurers' balances payable	1,364	-	1,364	984	-	984
Unearned premiums	258,979	-	258,979	228,830	-	228,830
Unearned reinsurance commission	4,697	-	4,697	4,351	-	4,351
Outstanding claims	20,599	-	20,599	22,859	-	22,859
Claims incurred but not reported	114,573	-	114,573	123,883	-	123,883
Premium deficiency reserves	7,117	-	7,117	6,700	-	6,700
Other technical reserves	9,360	-	9,360	7,892	-	7,892
Employee benefits obligation	6,120	-	6,120	7,895	-	7,895
Surplus distribution payable	15,409	-	15,409	15,409	-	15,409
Provision for zakat	-	29,129	29,129	-	27,629	27,629
Accrued commission income payable to SAMA	-	4,000	4,000	-	3,887	3,887
Due to shareholders' operations	2,105	-	2,105	-	30,350	30,350
	515,668	33,129	548,797	486,541	61,866	548,407
Less: Inter-operations eliminations	(2,105)	-	(2,105)	-	(30,350)	(30,350)
<u>TOTAL LIABILITIES</u>	513,563	33,129	546,692	486,541	31,516	518,057
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	250,000	250,000	-	250,000	250,000
Statutory reserve	-	5,003	5,003	-	5,003	5,003
Accumulated loss	-	(167,092)	(167,092)	-	(158,767)	(158,767)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	87,911	87,911	-	96,236	96,236
Re-measurement reserve of defined benefit obligation – related to insurance operations	248	-	248	248	-	248
<u>TOTAL EQUITY</u>	248	87,911	88,159	248	96,236	96,484
<u>TOTAL LIABILITIES AND EQUITY</u>	513,811	121,040	634,851	486,789	127,752	614,541
COMMITMENTS AND CONTINGENCIES	700	9,500	10,200	700	9,500	10,200

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18. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

	Three month period ended					
	31 March 2022			31 March 2021		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>REVENUES</u>						
Gross premiums written	147,050	-	147,050	118,236	-	118,236
	147,050	-	147,050	118,236	-	118,236
Reinsurance premiums ceded						
- Local	(295)	-	(295)	(302)	-	(302)
- Foreign	(15,080)	-	(15,080)	(13,342)	-	(13,342)
	(15,375)	-	(15,375)	(13,644)	-	(13,644)
Excess of loss expenses						
- Local	(133)	-	(133)	153	-	153
- Foreign	(1,850)	-	(1,850)	534	-	534
	(1,983)	-	(1,983)	687	-	687
Net premiums written	129,692	-	129,692	105,279	-	105,279
Changes in unearned premiums, net	(28,115)	-	(28,115)	(6,535)	-	(6,535)
Net premiums earned	101,577	-	101,577	98,744	-	98,744
Reinsurance commissions	2,253	-	2,253	2,114	-	2,114
Other underwriting income	345	-	345	66	-	66
<u>TOTAL REVENUES</u>	104,175	-	104,175	100,924	-	100,924
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	93,572	-	93,572	80,479	-	80,479
Reinsurers' share of claims paid	(9,429)	-	(9,429)	(7,168)	-	(7,168)
Net claims paid	84,143	-	84,143	73,311	-	73,311
Changes in outstanding claims, net	1,904	-	1,904	5,587	-	5,587
Changes in claims incurred but not reported, net	(7,713)	-	(7,713)	(13,116)	-	(13,116)
Net claims incurred	78,334	-	78,334	65,782	-	65,782
Change in premium deficiency reserve	417	-	417	-	-	-
Change in other technical reserves	1,469	-	1,469	4,163	-	4,163
Policy acquisition costs	5,556	-	5,556	6,103	-	6,103
Other underwriting expenses	14,484	-	14,484	8,564	-	8,564
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	100,260	-	100,260	84,612	-	84,612
NET UNDERWRITING INCOME	3,915	-	3,915	16,312	-	16,312

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18. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

	Three month period ended					
	31 March 2022			31 March 2021		
	(Unaudited)			(Unaudited)		
	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000	Insurance operations SR '000	Share-holders' operations SR '000	Total SR '000
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Allowance for doubtful debts	(1,650)	-	(1,650)	(805)	-	(805)
General and administrative expenses	(17,294)	(220)	(17,514)	(19,911)	(341)	(20,252)
Realized gain on investments	3,900	1,998	5,898	-	-	-
Investment income	2,031	518	2,549	1,101	(40)	1,061
Unrealized (loss) / gain on investments	(26)	-	(26)	61	3,658	3,719
Other income	3	-	3	29	-	29
<u>TOTAL OTHER OPERATING (EXPENSES) / INCOME</u>	(13,036)	2,296	(10,740)	(19,525)	3,277	(16,248)
<u>NET (LOSS) / INCOME BEFORE ZAKAT</u>	(9,121)	2,296	(6,825)	(3,213)	3,277	64
Zakat	-	(1,500)	(1,500)	-	(1,500)	(1,500)
<u>NET (LOSS) / INCOME AFTER ZAKAT</u>	(9,121)	796	(8,325)	(3,213)	1,777	(1,436)
Transferred to Shareholders	9,121	(796)	8,325	3,213	(1,777)	1,436
<u>NET RESULT FROM INSURANCE OPERATIONS</u>	-	-	-	-	-	-
Loss per share (Expressed in SR per share)						
Weighted average number of shares outstanding (in thousands)	-	25,000	25,000	-	25,000	25,000
Basic and diluted loss per share	-	(0.33)	(0.33)	-	(0.06)	(0.06)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
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18. SUPPLEMENTARY INFORMATION – (continued)

c) Interim condensed statement of comprehensive income

	Three month period ended					
	31 March 2022			31 March 2021		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	-	(8,325)	(8,325)	-	(1,436)	(1,436)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(8,325)	(8,325)	-	(1,436)	(1,436)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

18. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of cash flows

	Three month period ended					
	31 March 2022			31 March 2021		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss) / income for the period before zakat	-	(6,825)	(6,825)	-	64	64
<i>Adjustments for non-cash items:</i>						
Depreciation of property and equipment	794	-	794	968	-	968
Amortization of intangible assets	41	-	41	436	-	436
Depreciation of right-of-use assets	1,100	-	1,100	962	-	962
Finance cost on lease liabilities	-	-	-	314	-	314
Allowance for doubtful debts	1,650	-	1,650	805	-	805
Unrealized loss / (gain) on investments at fair value through statement of income	26	-	26	(61)	(3,658)	(3,719)
Realized gain on investments at fair value through statement of income	(3,899)	(1,998)	(5,897)	-	-	-
Employee benefit obligations	-	-	-	-	-	-
	(288)	(8,823)	(9,111)	3,424	(3,594)	(170)
<i>Changes in operating assets and liabilities:</i>						
Premiums and reinsurers' receivable	(15,522)	-	(15,522)	(10,631)	-	(10,631)
Reinsurers' share of unearned premiums	(2,034)	-	(2,034)	(2,551)	-	(2,551)
Reinsurers' share of outstanding claims	4,165	-	4,165	5,670	-	5,670
Reinsurers' share of claims Incurred but not reported	1,597	-	1,597	1,093	-	1,093
Deferred policy acquisition costs	(3,660)	-	(3,660)	(3,265)	-	(3,265)
Prepaid expenses and other assets	(3,484)	132	(3,352)	15,894	(43)	15,851
Accrued commission from statutory deposit	-	(113)	(113)	-	(38)	(38)
Policyholders and claims payable	849	-	849	(4,879)	-	(4,879)
Accrued expense and other liabilities	9,626	-	9,626	19,762	-	19,762
Reinsurers' balances payable	380	-	380	(1,545)	-	(1,545)
Unearned premiums	30,149	-	30,149	9,086	-	9,086
Unearned reinsurance commission	346	-	346	266	-	266
Outstanding claims	(2,260)	-	(2,260)	(83)	-	(83)
Claims incurred but not reported	(9,310)	-	(9,310)	(14,209)	-	(14,209)
Premium deficiency reserves	417	-	417	-	-	-
Other technical reserves	1,468	-	1,468	4,163	-	4,163
Accrued commission income payable to SAMA	-	113	113	-	38	38
	12,439	(8,691)	3,748	22,195	(3,637)	18,558
Withholding tax paid	-	-	-	-	(4,963)	(4,963)
Zakat paid	-	-	-	-	-	-
Employee benefits paid	(1,775)	-	(1,775)	(258)	-	(258)
Net cash flows generated from / (used in) operating activities	10,664	(8,691)	1,973	21,937	(8,600)	13,337

SALAMA COOPERATIVE INSURANCE COMPANY
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18. SUPPLEMENTARY INFORMATION – (continued)

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

	Three month period ended					
	31 March 2022			31 March 2021		
	(Unaudited)			(Unaudited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(1,633)	(457)	(2,090)	-	(51,350)	(51,350)
Proceeds from sale of investments	37,916	36,162	74,078	3,750	717	4,467
Placement of term deposits	(172,190)	-	(172,190)	-	-	-
Proceeds from maturity of term deposit	100,000	-	100,000	50,363	-	50,363
Proceeds from held to maturity investments	-	4,983	4,983	-	-	-
Purchase of property and equipment	(4,311)	-	(4,311)	(80)	-	(80)
Net cash flows (used in) / generated from investing activities	(40,218)	40,688	470	54,033	(50,633)	3,400
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	(2,868)	-	(2,868)	(298)	-	(298)
Due to / (from) shareholders' operations	32,455	(32,455)	-	(50,174)	50,174	-
Net cash flows generated from / (used in) financing activities	29,587	(32,455)	(2,868)	(50,472)	50,174	(298)
Net change in cash and cash equivalents	33	(458)	(425)	25,498	(9,059)	16,439
Cash and cash equivalents, beginning of the period	123,527	489	124,016	47,892	111,354	159,246
Cash and cash equivalents, end of the period	123,560	31	123,591	73,390	102,295	175,685

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FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

19. 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 31 March 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.

20. COMPARATIVE FIGURES

Certain comparative figures have been restated and regrouped to conform with the current period's presentation in these interim condensed financial statements. These restatements have no material impact on the net income for the three month period ended 31 March 2021 and retained earnings for the same period except for the below presentation.

31 March 2021	Amount as previously stated	Restatement	Restated amount
	SR	SR	SR
Excess of loss expenses – foreign	3,142	(2,608)	534
Net income for the period	1,172	(2,608)	(1,436)
Accumulated losses	(47,533)	(260)	(47,793)

21. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 18 Shawwal 1443H, corresponding to 19 May 2022.