

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023
WITH INDEPENDENT AUDITORS' REVIEW REPORT

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

**The Shareholders of
Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)
Al Khobar, Kingdom of Saudi Arabia**

(1/1)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Al-Etihad Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at March 31, 2023 and the related interim condensed statements of income, other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the interim condensed financial statements, including a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that are 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" that is 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 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 does not present fairly, in all material respects, the interim condensed financial position statement as of March 31, 2023, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**For El Sayed El Ayouty & Co.
Certified Accountants and Auditors
P.O. Box 200
Al Khobar 31952,
Kingdom of Saudi Arabia**

A. Balamesh

**Abdullah Ahmad Balamesh
Certified Public Accountant
License No. 345**



**For AlKharashi & Co.
Certified Accountants and Auditors
P.O. Box 8306
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Kingdom of Saudi Arabia**

Abdullah Al-Msned

**Abdullah Al-Msned
Certified Public Accountant
License No. 456**

June 21, 2023
Dhual-Hijja 3, 1444H




AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at March 31, 2023

		March 31, 2023 (Unaudited) SR'000	December 31, 2022 (Unaudited) Restated (Note 4) SR'000	January 1, 2022 (Unaudited) Restated (Note 4) SR'000
	Notes			
ASSETS				
Cash and cash equivalents	5	124,956	189,867	535,498
Insurance contract assets	6	1,229	866	28,177
Reinsurance contract assets	7	118,651	121,782	104,704
Investments at amortized cost	8	126,788	88,863	19,688
Investments at fair value	8	187,769	213,442	213,308
Prepaid expenses and other assets		92,024	59,967	42,123
Long term/fixed income deposits		788,242	763,242	407,676
Property and equipment		15,283	13,343	17,773
Right of use assets		7,604	8,338	3,673
Goodwill		4,497	4,497	4,497
Statutory deposit		45,000	45,000	40,000
Accrued income on statutory deposit		6,752	6,252	5,487
TOTAL ASSETS		1,518,795	1,515,459	1,422,604
LIABILITIES				
Accrued and other liabilities		59,449	106,746	93,513
Lease liability		7,423	7,342	3,142
Insurance contract liabilities	6	814,877	818,320	753,775
Reinsurance contract liabilities	7	-	205	1,119
End-of-service indemnities		16,649	16,916	17,540
Zakat and income tax	9	27,064	23,064	25,308
Accrued commission income payable to SAMA		6,752	6,252	5,487
TOTAL LIABILITIES		932,214	978,845	899,884
SHAREHOLDERS' EQUITY				
Share capital	10	450,000	450,000	400,000
Statutory reserve		12,756	12,756	36,298
Retained earnings		87,135	74,948	88,704
Fair value reserve gain on investments	8	37,780	-	-
Remeasurement actuarial loss on end of service indemnities		(1,090)	(1,090)	(2,282)
TOTAL EQUITY		586,581	536,614	522,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,518,795	1,515,459	1,422,604

COMMITMENTS AND CONTINGENCIES 11


Board Member


CEO


CFO

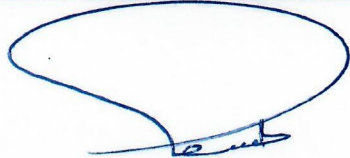
The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Three-month period ended March 31, 2023 (Unaudited) SR'000	Three-month period ended March 31, 2022 (Unaudited) Restated (Note 4) SR'000
Notes		
Insurance revenue	274,721	230,485
Insurance service expenses	(260,527)	(224,187)
Insurance service result before reinsurance contracts held	14,194	6,298
Allocation of reinsurance premiums	(17,383)	(14,455)
Amounts recoverable from reinsurers for incurred claims	5,939	(4,743)
Net expenses from reinsurance contracts held	(11,444)	(19,198)
Insurance service result	2,750	(12,900)
Interest revenue calculated using the effective interest rate method	8,714	1,727
Net gains on investments at fair value through profit or loss	1,694	15,165
Other investment revenue - Dividend income	108	1,466
Net impairment loss on investments	(158)	-
Investment return	10,358	18,358
Net Finance income from insurance contracts issued	7,263	5,690
Net Finance expenses from reinsurance contracts held	(1,294)	(3,144)
Net insurance finance results	5,969	2,546
Net insurance and investment result	19,077	8,004
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>		
Non-attributable general and administrative expenses	(2,806)	(2,608)
Finance cost	(81)	(27)
Other (expenses) / income	(3)	240
<u>TOTAL OTHER OPERATING EXPENSES</u>	(2,890)	(2,395)
Income for the period before zakat and income tax	16,187	5,609
Zakat and income tax expense	(4,000)	(3,750)
Net income for the period attributable to the Shareholders	12,187	1,859
Earnings per share	0.27	0.04


Board Member


CEO


CFO

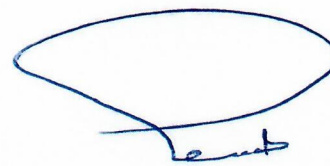
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AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF OTHER COMPERHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Three-month period ended March 31, 2023 (Unaudited) SR'000	Three-month period ended March 31, 2022 (Unaudited) <i>Restated</i> (Note 4) SR'000
Net Income for the period attributable to the Shareholders	12,187	1,859
<u>Other comprehensive income / (loss)</u>		
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>		
Unrealized fair value changes in available-for-sale investments	37,780	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER ZAKAT	49,967	1,859
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO THE SHAREHOLDERS	49,967	1,859


 Board Member


 CEO


 CFO

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

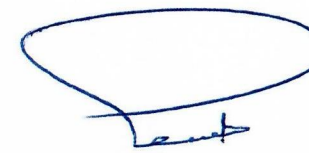
	Notes	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Fair value reserve gain on investments SR'000	Remeasurement actuarial loss on end of service indemnities SR'000	Total SR'000
MARCH 31, 2023 (Unaudited)							
Balance at the beginning of the period		450,000	12,756	74,948	-	(1,090)	536,614
Net Income for the period attributable to the Shareholders		-	-	12,187	-	-	12,187
Unrealized fair value changes in investments through other comprehensive income	6	-	-	-	37,780	-	37,780
Balance at the end of the period		450,000	12,756	87,135	37,780	(1,090)	586,581
MARCH 31, 2022 (unaudited)							
Balance at the beginning of the period as reported previously		400,000	36,298	100,478	17,585	(2,282)	552,079
Adjustment on initial application of IFRS 17		-	-	(29,359)	-	-	(29,359)
Adjustment on initial application of IFRS 9		-	-	17,585	(17,585)	-	-
Adjusted Opening Balance 1/1/2022		400,000	36,298	88,704	-	(2,282)	522,720
Net Income for the period attributable to the Shareholders		-	-	1,859	-	-	1,859
Balance at the end of the period		400,000	36,298	90,563	-	(2,282)	524,579



Board Member



CEO



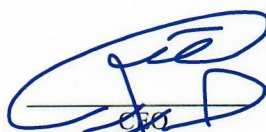
CFO

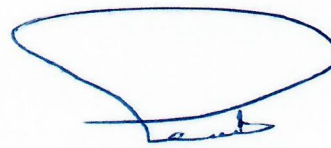
The accompanying notes form an integral part of these interim condensed financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Three-month period ended March 31, 2023 (Unaudited) SR'000	Three-month period ended March 31, 2022 (Unaudited) <i>Restated</i> (Note 4) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat and income tax	16,187	5,609
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	790	780
Depreciation charge of right to use assets	734	404
Net impairment loss on investments	158	-
Net gains on investments at fair value through profit or loss	(1,694)	(15,165)
Finance cost	81	27
Provision for end-of-service indemnities	-	850
<u>Changes in operating assets and liabilities:</u>		
Insurance contract assets	(363)	11,254
Reinsurance contract assets	3,131	19,850
Prepaid expenses and other assets	(32,057)	6,593
Accrued and other liabilities	(47,297)	(13,476)
Insurance contract liabilities	(3,443)	32,575
Reinsurance contract liabilities	(205)	(1,110)
	(63,978)	48,191
End-of-service indemnities paid	(267)	(1,147)
Zakat and income tax paid	-	(20,744)
Net cash (used in) / generated from operating activities	(64,245)	26,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in investments at amortized cost	(38,083)	(31,250)
Net movement in investments at fair value	65,147	(9,384)
Net movement in long term/fixed income deposits	(25,000)	146,000
Net movement in property and equipment	(2,730)	(1,392)
Net cash (used in) / generated from investing activities	(666)	103,974
Net change in cash and cash equivalents	(64,911)	130,274
Cash and cash equivalents at beginning of the period	189,867	535,498
Cash and cash equivalents at end of the period	124,956	665,772
NON-CASH INFORMATION		
Unrealized gain on available for sale investments	37,780	-


Board Member


CFO


CFO

The accompanying notes form an integral part of these interim condensed financial statements

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2023

1. GENERAL

Al-EtiHAD Cooperative Insurance Company, (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to January 30, 2008. The registered address of the Company's head office is as follows:

Al-EtiHAD Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Khobar 31952, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the “Law”) and it’s implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident, and others.

On July 31, 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 23 Rabea I 1429H, corresponding to March 31, 2008, 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 June 30, 2022, the company announced the approval of its shareholders during the extra ordinary general assembly meeting on the increase of company’s capital from SR 400 million to SR 450 million through bonus shares issuance. The reason of this increase is to strengthen the company’s capital base and to support its future activities. The number of shares granted is one bonus share for every 8 shares. The capital increase has been made through capitalization of SR 30 million from the statutory reserve and SR 20 million from the retained earnings. On July 3, 2022, capital increase has taken place and the bonus shares have been distributed to shareholders.

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements of the Company as at and for the period ended March 31, 2023, 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”). This interim condensed financial statements are the first set for the adoption of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” as endorsed in the Kingdom of Saudi Arabia. Please refer to note 3 for the resultant changes to the significant accounting policies.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair Value through profit or loss “FVTPL”, investment at their fair value through other comprehensive income “FVTOCI”, and defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method. The Company’s statement of financial position is not presented using a current/non-current classification. Except for property and equipment, right of use assets, statutory deposit, goodwill, end-of-service indemnities, lease liabilities, accrued commission income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its interim statement of financial position in order of liquidity. 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 statements accordingly under Note 16. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts. The basis of the allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

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

2. BASIS OF PREPARATION (Continued)**(a) Basis of presentation (continued)**

The interim condensed statement of financial position, statements of income, other comprehensive income and cash flows of the insurance operations and shareholder's operations which are presented in note 16 of the financial statements have been provided as supplementary financial statements 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 shareholder's operations. Accordingly, the interim 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 shareholder's operations are uniform for like transactions and events in similar circumstances.

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

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

(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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

I. Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Discount rates

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for country risk premium. Management uses judgement to assess liquidity characteristics of the liability cash flows.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2023

2 BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

I. Estimation uncertainty (Continued)

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17, are all future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts using relevant proxies.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. Such estimates are made using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Company's degree of risk aversion.

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk and also to choose the most appropriate confidence level to which the risk adjustment for non-financial risk should correspond.

Measurement of the expected credit losses allowance

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behavior. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2023

2 BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

II. Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the interim condensed financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortized cost on the basis of both:

- (a) its business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Investments in equity instruments are classified and measured at FVTPL except if the equity investment is not held for trading and is designated by the Company at FVOCI.

Further, even if the asset meets the amortized cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development of the line of business, the Company classifies these investments as financial assets at fair value through other comprehensive income.

Fair value of financial instruments

For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples.

Definition and classification

Judgement is required in order to determine whether contracts are within the scope of IFRS 17 and, for contracts determined to be within the scope of IFRS 17, which measurement model is applicable:

- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk;
- Whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features;
- Whether contracts that were determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features, particularly:
 - whether the pool of underlying items is clearly identified;
 - whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
 - whether the Company expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2023

2 BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

II. Judgements (Continued)

Definition and classification (Continued)

- For insurance contracts with a coverage period of more than one year and for which the entity applies the Premium Allocation Approach (PAA), the eligibility assessment as required by paragraphs 53(a), 54, 69(a) and 70 of IFRS 17 might involve significant judgement.

Judgement is involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts – whether the contract with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination;
- Separation – whether components in paragraphs 11–12 of IFRS 17 are distinct (that is, they meet the separation criteria); and
- Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

Unit of account

Judgement is involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together).

Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts. Similar grouping assessment is required for reinsurance contracts held. Areas of potential judgements include:

- paragraph 17 of IFRS 17 – the determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group, as required by paragraph 16 of IFRS 17; and
- paragraphs 18 and 19 of IFRS 17 – judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of potential judgement.

For insurance contracts issued which are measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous Company's profitability and whether any loss component remeasurement is required.

The determination of whether laws or regulations constrain the Company's practical ability to set a different price or level of benefits for policyholders with different risk profiles, so that the Company might include such contracts in the same group, disregarding the aggregation requirements set in paragraphs 14–19 of IFRS 17, is an area of judgement.

Recognition and derecognition

When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. In particular, after the modification, judgement is applied to determine whether:

- Significant insurance risk still exists;
- There are elements that are to be distinct from the contract;
- Contract boundaries have changed;
- The contract would have to be included in a different group, subject to aggregation requirements; and
- The contract no longer meets the requirements of the measurement mode

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THREE-MONTH PERIOD ENDED MARCH 31, 2023

2 BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

II. Judgements (Continued)

Fulfilment cash flows ("FCF")

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17.

Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.

Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.

The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognized insurance revenue and insurance service expenses, because investment components should be excluded from those.

(c) Seasonality of operations

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

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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 December 31, 2022, except as mentioned in note 3.1 and note 3.2.

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

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

The new accounting policies and the impact of the adoption of these new standards are disclosed in note 3.1 and note 3.2.

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after January 01, 2023. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below:

<u>Amendment to</u>	<u>Description</u>
IAS 1	<i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i>
IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	<i>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.</i>

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

<u>Amendment to</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 16	<i>Lease liability in a sale and leaseback – Amendments to IFRS 16</i>	January 01, 2024
IFRS 10 and IAS 28	<i>Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)</i>	Available for optional adoption / effective date deferred indefinitely

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts”

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”). It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

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

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

Structure and status of the Implementation project

The company has planned its implementation of IFRS 17 standard in line with SAMA’s 4-phased implementation approach. Summary of implementation phases are below:

- I. **Gap analysis phase:** Full gap assessment report was completed and submitted to SAMA on March 31, 2019 describing all possible gaps observed in applying IFRS 17. This report was followed by quarterly monitoring progress templates ended late 2020.
- II. **Financial and operational impact assessment phase:** This phase aimed to quantify the financial impact of applying IFRS 17 in comparison to IFRS 4. The impact was assessed based on the results of the year ended December 31, 2018. Full assessment reports (Operational impact and financial impact) were completed and submitted to SAMA during the year 2020.
- III. **Design and implementation plan phase:** During this phase, the company has designed the architecture of IFRS 17 implementation requirement and planed the implementation accordingly. A large number of policy and decision papers were issued during this phase to streamline the way forward. The company completed and submitted all deliverables of this phase in April 2021.
- IV. **Implementation and dry runs phase:** During this phase, the company onboarded an IFRS17 accounting software, implemented the accounting decisions and actuarial methodologies to the software, adjusted the technical and financial data needed for the IFRS17 software to populate financial results, and managed to complete 3 dry runs according to SAMA’s instructions in this regard as the following:
 - 1st dry run for the year ended December 31, 2020. Completed and submitted on November 30, 2021 as planned.
 - 2nd dry run for the year ended December 31, 2021. Completed and submitted on May 31, 2022, as planned.
 - 3rd dry run for the six months period ended June 30, 2022. Completed and submitted on November 15, 2022 as planned.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

The company implemented the below governance structure to ensure proper implementation of the standards is described below:

Governance body	Roles
Board of Directors	Monitor IFRS 17 project status, costs/budgets involved and overall timely completion of IFRS 17 project.
Audit Committee	Oversee the overall progress of IFRS 17 implementation and approve the final deliverables of the 4 phases of implementation. Escalate major issues to Board of directors.
Steering Committee	Supervise the progress of IFRS 17 implementation and approve the measures or actions suggested by the working group. (Report to Audit Committee)
IFRS 17 working group	Monitor day-to-day progress of IFRS 17 implementation against targeted timelines, take remedial actions where required and recommend tasks or measures requiring approval of Steering Committee. This working group includes personnel from finance, actuarial, underwriting, IT and reinsurance department (Report to Steering Committee)

Significant Judgements and Accounting Policy Choices

The Company has applied the following significant accounting policies in the preparation of financial statement under IFRS 17:

a) Contracts within/outside the scope of IFRS 17

A detailed contract review exercise was conducted to the Company’s contracts to distinct between Insurance risks falling within IFRS17 scope and others falling outside scope, and an assessment of significance of insurance risk. Types of contracts written by company falling within IFRS 17 scope are sub-divided into:

- i. Insurance contracts issued by the company.
- ii. Reinsurance contracts held.

b) Combination/Unbundling of Contracts

The management analyzed the insurance contracts issued / held by the company which are required to be separated under IFRS 17. The company does not have any investment component (other than the 10% cooperative surplus arrangement) or embedded derivative attached to the insurance contracts it issues.

However, the company provides certain non-insurance services attached to the main insurance contracts such as roadside assistance and replacement car. As the risks and cashflows associated with above non-insurance services are highly interrelated with main insurance contracts and given the immateriality of those services, the company does not intend to separate those components from main insurance contracts.

c) Level of Aggregation

The IFRS 17 portfolios design came in line with the current allocation of Lines of businesses as it reflects the way contracts under each one of these portfolios are being managed (managed together) and fulfils the requirement of the standard for level of aggregation (similar risks). Below are the portfolios designed by the company.

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2022, however, management anticipates that these amendments will not have any material effect on the Company’s interim condensed financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

d) Level of Aggregation (Continued)

Direct Portfolios

<u>Portfolio</u>	<u>Description</u>	<u>Classification in the financial statement’s disclosures</u>
Medical Corporate	Medical insurance for corporate entities	Medical
Medical SME	Medical insurance for small businesses	
Medical others	Visitors’ Medical insurance, Tourist and Unique Iqama visas	
Motor comprehensive	Motor vehicles, including both own damage (private and commercial) and third-party liability	Motor
Motor TPL	Motor third-party liability	
Property	Fire, lightning, allied perils and burglary. Business interruption/consequential loss of profits, sabotage and terrorism	Property and Casualty
Engineering	Construction, plant and machinery	
General Accident	Various types of liability indemnity, medical malpractice, financial loss benefits and other risks	
Marine	Marine cargo and hull	

Reinsurance Portfolios

<u>Portfolio</u>	<u>Description</u>	<u>Classification in the financial statement’s disclosures</u>
Medical - Non-Proportional	Excess of loss reinsurance cover for underlying medical insurance products.	Medical
Medical -Proportional	Proportional cover for underlying medical insurance products.	
Motor - Proportional	Proportional reinsurance cover for underlying motor comprehensive and motor third party liability contracts.	Motor
Motor Non-Proportional	Excess of loss reinsurance cover for underlying motor comprehensive and motor third party liability contracts.	
Property - Proportional	Proportional cover for underlying property contracts.	Property and Casualty
Property & Engineering - Non-Proportional	Excess of loss reinsurance cover for underlying property and engineering contracts.	
Engineering - Proportional	Proportional cover for underlying engineering contracts.	
Marine - Non-Proportional	Excess of loss reinsurance cover for underlying marine contracts.	
Marine - Proportional	Proportional cover for underlying marine contracts.	
GA - Proportional	Proportional cover for underlying liability contracts.	

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

e) Level of Aggregation (Continued)

Each portfolio (both Direct and Reinsurance) has been allocated to annual Cohorts based on the decision made for cohort length to be annual and furtherly allocated to 3 groups of contracts shown below:

- i. Contracts that are onerous on initial recognition;
- ii. Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- iii. Remaining contracts group

An insurance contract issued by the Company is recognized from the earliest of:

- i. The beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- ii. When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- iii. When facts and circumstances indicate that the contract is onerous.

A group of reinsurance contracts is recognized on the following date:

- i. Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognized. This applies to the Company’s quota share reinsurance contracts.
- ii. Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date this applies to the Company’s excess of loss contracts and stop loss reinsurance contracts.

f) Measurement – Overview

Most of the insurance portfolios of the company are of a tenor of one year or less, hence they are eligible for Premium Allocation Approach (PAA). However, certain products in the Engineering and General Accidents direct portfolios together with Risk attaching reinsurance contracts held have coverage periods of greater than one year. For those contracts, the management was able to meet the eligibility criteria for applying PAA approach by estimating no material difference in Liability under both measurement methods.

g) Significant Judgements and Estimates

i. PAA eligibility assessment approach

PAA eligibility assessment approach taken by the company is summarized in the below key steps:

- The volume of projected premium over the next year is linked to the budget driven from the company’s business plan whereas the claims were driven through a combination of historical data and actuarial assumptions and estimations.
- For groups where coverage period is above 12 months, PAA eligibility testing was performed. Where the potential deviation of liability is below the relative materiality threshold, the associated group is deemed eligible for the PAA.
- A relative materiality level of 5% was used to assess significance of differences between GMM and PAA liability at a group level.
- For those groups who failed the criteria above, financial materiality threshold (5% of profit before zakat and tax or 0.5% of GWP) was tested. If the aggregate differences are below the financial materiality threshold, PAA approach can be used.

ii. Discounting methodology

The company is using EIOPA yield curves with an adjustment for country risk premiums.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

g) Significant Judgements and Estimates (Continued)

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

The company is using Mack method on entity level with a selected confidence level of 75th percentile.

iv. CSM release pattern

GMM approach was not used for any group, hence, no Contractual Service Margin (CSM) release pattern has been treated. However, below is a summary of company’s policy in treating CSM:

- Determining CSM at initial recognition, at the required level of aggregation
- Calculating and amortizing CSM, recognizing a loss and accreting interest on the CSM balance, at the required level of aggregation.
- Recognizing favorable changes in estimates in income statement that arise after losses were previously recognized in income statement to the extent that these reverse losses that relate to coverage and other services in the future.

v. Onerosity determination

Assessment is done at inception based on 3 years average combined loss ratio adjusted for risk loadings and forward-looking adjustment. The derived adjusted combined ratio is used to assign profitability buckets to groups according to the following arrangements:

- Adjusted Combined loss ratio is above 100%, the group is tagged to be “Onerous group”.
- Adjusted Combined loss ratio is below 30%, the group is tagged to be “No substantial possibility to become Onerous group”.
- Adjusted Combined loss ratio is from 30% to 100%, the group is tagged to be “Other’s group”.

vi. Provision for Doubtful Debts

Expected credit loss (ECL) for insurance receivables is being calculated based on IFRS 9 methodology and reflected on liability of remaining coverage. “Simplified approach” has been applied in calculating ECL for insurance receivables which is based on the calculation of point-in-time probability of default (PiT PD).

vii. Reinsurer Default provision

Expected credit loss (ECL) for Reinsurance receivables has been calculated based on IFRS 9 methodology and reflected on liability of remaining coverage. “Simplified approach” is applied in calculating ECL for Reinsurance receivables.

viii. VAT treatment

- VAT liability is treated as normal tax liability to ZATCA.
- VAT receivables are treated along with insurance receivables and fulfillment cash flows.

h) Accounting Policy Choices

i. Length of Cohorts

The company has elected to use annual cohort length.

ii. Use of OCI for IFIE (insurance finance income or expenses)

The company is not using OCI option. Insurance finance income or expenses are included in the statement of income.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

f) Accounting Policy Choices (Continued)

iii. Unwinding of Discount on Risk Adjustment (RA)

The company is implicitly performing the unwinding of discount on RA.

iv. Expense Attribution

- Acquisition costs are attributed to Liability of remaining coverage (LRC)
- Attributable expenses are treated as part of Liability of incurred claims (LIC)
- Non attributable general and administrative expenses (G&A) are left with no attribution in separate line item in income statement.

v. Deferral of Acquisition Costs

The company has chosen to defer Acquisition costs which are linked to the coverage of the contracts.

vi. Policyholder Surplus accounting

Policyholders’ surplus is considered as part of liability of Incurred claims (LIC). Period’s movement is considered under insurance service expenses.

g) Presentation and Disclosure

Presentation: Key changes between IFRS4 and IFRS17 Financial Statements are shown in the below schedule:

Statement of Financial Position

IFRS 4 CLASSIFICATION	IFRS 17 CLASSIFICATION
ASSETS	
<ul style="list-style-type: none"> - Premiums and reinsurance receivable - Reinsurers' share of unearned premiums - Reinsurers' share of outstanding claims - Reinsurers' share of claims incurred but not reported. - Deferred policy acquisition costs 	<ul style="list-style-type: none"> - Insurance Contract Assets - Re-insurance Contract Assets
LIABILITIES	
<ul style="list-style-type: none"> - Accounts payable - Accrued and other liabilities (Insurance related portion) - Reinsurers' payable balances - Unearned premiums - Unearned reinsurance commission - Outstanding claims - Claims incurred but not reported - Additional premium reserves - Other technical reserves - Accumulated surplus payable 	<ul style="list-style-type: none"> - Insurance Contract Liabilities - Reinsurance Contract Liabilities

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 IFRS 17 “Insurance Contracts” (Continued)

g) Presentation and Disclosure (Continued)

Income Statement

<u>IFRS 4 CLASSIFICATION</u>		<u>IFRS 17 CLASSIFICATION</u>	
Gross written premium (GWP)	XX	Insurance revenue	XX
Premiums ceded to reinsurers	(XX)	Insurance service expenses	(XX)
Net Premium Written	XX	Insurance service result before reinsurance contracts held	XX
Gross claims, benefits and expenses paid	(XX)	Allocation of reinsurance premiums	(XX)
Claims and expenses ceded to reinsurers	XX	Amounts recoverable from reinsurers	XX
Acquisition costs amortization	(XX)	Net income/ (expenses) from reinsurance contracts held	XX
Change in insurance contract liabilities	(XX)	Insurance service result	XX
Total Costs	(XX)	Insurance finance income/ (expense)	(XX)
PROFIT BEFORE TAX	XX	Reinsurance finance income/ (expenses)	XX
		Insurance Finance result	XX
		PROFIT BEFORE TAX	XX

h) Transition

i. Choice of Method

The Company has applied the modified retrospective approach for groups of contracts in the immediate annuity portfolio, as prior to transition, it grouped its contracts from multiple cohorts into a single unit for accounting purposes. The application of the full retrospective approach on transition for these portfolios was determined to be impracticable for the Company, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

ii. Length of Comparatives

The company has adjusted transitional impact to the opening retained earnings balance of the comparative period i.e., January 1st, 2022. The comparative period 2022 will be restated to reflect IFRS 17 transitional impact.

3.2 IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

I. Financial assets – Classification

The business model of the company reflects how it manages its financial assets to generate cash flows. Business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The company assesses business model on an instrument-by-instrument basis.

The following table summarizes the key features of each type of business model and the accordingly chosen measurement category

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

I. Financial assets – Classification (Continued)

BUSINESS MODEL	KEY FEATURES OF THE BUSINESS MODEL	MEASUREMENT CATEGORY
Hold to collect	<ul style="list-style-type: none"> The objective of the business model is to hold the financial assets to collect contractual cash flows Sales are incidental to the objectives of the model. 	Amortized cost (subject to meeting the solely payments of principal and interest criterion - SPPI)
Hold to collect and sell	<ul style="list-style-type: none"> Both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model Typically, more sales (in frequency and value) than held-to-collect business model 	Fair value through other comprehensive income - FVOCI
FVTPL business model	<ul style="list-style-type: none"> Business model is neither hold to collect nor hold-to-collect and sell Assets are held for trading Collection of contractual cash flows is incidental to the objective of the model Managing assets on a fair value basis 	Fair Value through profit or loss - FVTPL

The following table summarizes the change in classification from existing classification under IAS 39 to IFRS 9.

DESCRIPTION	CLASSIFICATION UNDER IAS 39	CLASSIFICATION UNDER IFRS 9
FINANCIAL ASSETS		
1. Cash and Cash Equivalent (Bank Deposit)	Amortized Cost	Amortized Cost
2. Short term deposits (maturity below 3 months)	Amortized Cost	Amortized Cost
3. Long-term deposit	Amortized Cost	Amortized Cost
4. Held to Maturity-Sukuk	HTM	Amortized Cost
5. Held to Maturity-Sukuk (Failing SPPI test)	HTM	FVTPL
6. Investment funds - Sukuk	AFS	FVTPL
7. Statutory Deposit	Amortized Cost	Amortized Cost
8. Available for sale – Equity Security	AFS	FVTPL/FVOCI
9. Other Investment at amortized cost	Amortized Cost	FVTPL
10. Money Market Fund	Cash & Cash Equivalent	FVTPL
NON-FINANCIAL ASSETS		
11. Insurance Receivable		
12. Re-Insurance Receivable	Out of IFRS9 scope - results of evaluating these assets under IFRS 9 methodology will be used for IFRS 17 insurance contracts calculations.	
13. Re-Insurance Recoverable (Outstanding claims and IBNR)		

II. Financial assets – Impairment

The company adopts the “General approach (Three-stage expected credit loss model)” to calculate the expected credit loss (ECL) for the above-mentioned financial assets and “Simplified approach” for non-financial assets like Insurance receivable, reinsurance receivable and recoverable

The ECL amount is computed based on unbiased and probability-weighted estimate of credit losses (i.e., present value of all cash shortfalls) over the expected life of the financial asset. Credit losses under the general approach shall be computed from individual risk parameters i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The objective of calculating impairment through the ECL model is to recognize 12 month expected credit losses for financial instruments which exhibit stable credit quality (Stage 1) and lifetime expected credit losses for financial instruments for which there has been a significant change in credit quality since initial recognition (Stage 2 and Stage 3).

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 IFRS 9 “Financial Instruments” (Continued)

III. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in other comprehensive income (OCI);
- The remaining amount of the change in the fair value will be presented in the statement of income.

IV. Transition

The company has elected to use “modified retrospective approach” as a transition approach for IFRS 9. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application are expected to be recognized in the retained earnings. No restatement of comparative figures has been conducted. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application were recognized in the opening retained earnings and fair value reserve of the current year.

4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9

In preparing its opening IFRS 17 and IFRS 9 interim condensed statement of financial position, and interim condensed statement of income, and of interim condensed statement of comprehensive income for the three-month period ended March 31, 2023 (as mentioned in the below schedules). Company has restated amounts reported previously in financial statements under IFRS 4 and IAS 39. Moreover, the Company has applied accounting policies to apply the requirements of IFRS 17 and IFRS 9 (refer to note 3). The following schedule clarifies these adjustments on statement of financial position, statement of income and statement of comprehensive income.

Estimated Change in the Company’s Total Equity due to initial application of IFRS 17

The Company calculated that, on adoption of IFRS 17, the overall transitional impact (before tax) could be a reduction in the Company’s total equity of (SAR 29,359,493) as at January 1, 2022. The following schedule clarifies the sources of this impact of transition from IFRS 4 to IFRS 17 on Equity, Assets and Liabilities as at January 1, 2022

Drivers of Changes in Equity	Impact on Equity	Impact on Liabilities	Impact on Assets
	SAR'000		
Additional Loss component	(28,940)	28,940	-
Release of Premium deficiency reserve (replaced with loss component)	14,186	(14,186)	-
Additional Risk Adjustment (Direct portfolios)	(22,539)	22,539	-
Discounting impact on direct portfolios	6,959	(6,959)	-
Additional Risk Adjustment (RI Portfolios)	2,955	-	(2,955)
Discounting impact on RI portfolios	(1,980)	-	1,980
Total Impact	(29,359)	30,334	(975)

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4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of interim condensed statement of financial position as at 1 January 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
<u>Assets</u>				
Cash and cash equivalents	535,498	-	-	535,498
Premiums and reinsurance receivable, net	164,107	(164,107)	-	-
Reinsurers 'share of unearned premiums	23,550	(23,550)	-	-
Reinsurers 'share of outstanding claims	77,842	(77,842)	-	-
Reinsurers 'share of claims incurred but not reported	15,919	(15,919)	-	-
Deferred policy acquisition costs	34,263	(34,263)	-	-
Insurance contract assets	-	28,177	-	28,177
Reinsurance contract assets	-	104,704	-	104,704
Investments at amortized cost	45,520	-	(25,832)	19,688
Investments at fair value	187,476	-	25,832	213,308
Prepaid expenses and other assets	65,739	(23,616)	-	42,123
Long term / fixed income deposits	407,676	-	-	407,676
Property and equipment, net	17,773	-	-	17,773
Right-of-use assets	3,673	-	-	3,673
Goodwill	4,497	-	-	4,497
Statutory deposit	40,000	-	-	40,000
Accrued income on statutory deposit	5,487	-	-	5,487
Total Assets	1,629,020	(206,416)	-	1,422,604
<u>Liabilities</u>				
Accounts payable	31,870	(31,870)	-	-
Accrued and other liabilities	129,277	(35,764)	-	93,513
Lease liabilities	3,142	-	-	3,142
Reinsurers 'payable balances	12,946	(12,946)	-	-
Unearned premiums	483,495	(483,495)	-	-
Unearned reinsurance commission	4,844	(4,844)	-	-
Outstanding claims	242,697	(242,697)	-	-
Claims incurred but not reported	94,589	(94,589)	-	-
Additional premium reserves	14,849	(14,849)	-	-
Other technical reserves	8,388	(8,388)	-	-
Insurance contract liabilities	-	753,775	-	753,775
Reinsurance contract liabilities	-	1,119	-	1,119
End of service indemnities	17,540	-	-	17,540
Zakat and income tax	25,308	-	-	25,308
Accrued commission income payable to SAMA	5,487	-	-	5,487
Accumulated surplus payable	2,509	(2,509)	-	-
Total liabilities and accumulated surplus	1,076,941	(177,057)	-	899,884
<u>Shareholders' Equity</u>				
Share capital	400,000	-	-	400,000
Statutory reserve	36,298	-	-	36,298
Retained earnings	100,478	(29,359)	17,585	88,704
Remeasurement actuarial loss on end of service indemnities	(2,282)	-	-	(2,282)
Fair value reserve on investments	17,585	-	(17,585)	-
Total shareholders' equity	552,079	(29,359)	-	522,720
Total liabilities, accumulated surplus and equity	1,629,020	(206,416)	-	1,422,604

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of interim condensed statement of financial position as at 31 December 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
<u>Assets</u>				
Cash and cash equivalents	189,867	-	-	189,867
Premiums and reinsurance receivable, net	223,255	(223,255)	-	-
Reinsurers 'share of unearned premiums	29,167	(29,167)	-	-
Reinsurers 'share of outstanding claims	87,338	(87,338)	-	-
Reinsurers 'share of claims incurred but not reported	14,593	(14,593)	-	-
Deferred policy acquisition costs	34,246	(34,246)	-	-
Insurance contract assets	-	866	-	866
Reinsurance contract assets	-	121,782	-	121,782
Investments at amortized cost	136,487	-	(47,624)	88,863
Investments at fair value	165,818	-	47,624	213,442
Prepaid expenses and other assets	89,189	(29,222)	-	59,967
Long term / fixed income deposits	763,242	-	-	763,242
Property and equipment, net	13,343	-	-	13,343
Right-of-use assets	8,338	-	-	8,338
Goodwill	4,497	-	-	4,497
Statutory deposit	45,000	-	-	45,000
Accrued income on statutory deposit	6,252	-	-	6,252
Total Assets	1,810,632	(295,173)	-	1,515,459
<u>Liabilities</u>				
Accounts payable	49,907	(49,907)	-	-
Accrued and other liabilities	145,052	(38,306)	-	106,746
Lease liabilities	7,342	-	-	7,342
Reinsurers 'payable balances	18,221	(18,221)	-	-
Unearned premiums	574,474	(574,474)	-	-
Unearned reinsurance commission	5,535	(5,535)	-	-
Outstanding claims	280,951	(280,951)	-	-
Claims incurred but not reported	100,780	(100,780)	-	-
Additional premium reserves	4,739	(4,739)	-	-
Other technical reserves	10,498	(10,498)	-	-
Insurance contract liabilities	-	818,320	-	818,320
Reinsurance contract liabilities	-	205	-	205
End of service indemnities	16,916	-	-	16,916
Zakat and income tax	23,064	-	-	23,064
Accrued commission income payable to SAMA	6,252	-	-	6,252
Accumulated surplus payable	2,733	(2,733)	-	-
Total liabilities and accumulated surplus	1,246,464	(267,619)	-	978,845
<u>Shareholders' Equity</u>				
Share capital	450,000	-	-	450,000
Statutory reserve	12,756	-	-	12,756
Retained earnings	106,311	(27,554)	(3,809)	74,948
Remeasurement actuarial loss on end of service indemnities	(1,090)	-	-	(1,090)
Fair value reserve on investments	(3,809)	-	3,809	-
Total Shareholders' Equity	564,168	(27,554)	-	536,614
Total liabilities, accumulated surplus and equity	1,810,632	(295,173)	-	1,515,459

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of interim condensed statement of income for the three months ended 31 March 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
<u>REVENUES</u>				
Gross premiums written	301,410	(301,410)	-	-
Reinsurance premiums ceded – Local	(2,088)	2,088	-	-
Reinsurance premiums ceded – International	(17,178)	17,178	-	-
Excess of loss expenses (XOL)	(4,395)	4,395	-	-
Net premiums written	277,749	(277,749)	-	-
Changes in unearned premiums – net	(67,674)	67,674	-	-
Net premiums earned	210,075	(210,075)	-	-
Reinsurance commission income	3,064	(3,064)	-	-
Other underwriting income	4,156	(4,156)	-	-
Total Revenues	217,295	(217,295)	-	-
<u>UNDERWRITING COSTS & EXPENSES</u>				
Gross claims paid	(169,788)	169,788	-	-
Reinsurers' share of claims paid	6,021	(6,021)	-	-
Net claims and other benefits paid	(163,767)	163,767	-	-
Changes in outstanding claims, net	7,654	(7,654)	-	-
Changes in incurred but not reported (IBNR) claims, net	(12,239)	12,239	-	-
Change in other technical reserves movement	159	(159)	-	-
Net claims incurred	(168,193)	168,193	-	-
Additional premium reserves	(1,078)	1,078	-	-
Policy acquisition costs	(16,226)	16,226	-	-
Other underwriting expenses	(16,390)	16,390	-	-
Total Underwriting Costs and Expenses	(201,887)	201,887	-	-
Net Underwriting Income	15,408	(15,408)	-	-
Insurance revenue	-	230,485	-	230,485
Insurance service expense	-	(224,187)	-	(224,187)
Insurance service result before reinsurance contracts held	-	6,298	-	6,298
Allocation of reinsurance premiums	-	(14,455)	-	(14,455)
Amounts recoverable from reinsurers for incurred claims	-	(4,743)	-	(4,743)
Net expenses from reinsurance contracts held	-	(19,198)	-	(19,198)
Insurance service result	-	(12,900)	-	(12,900)
Interest revenue calculated using the effective interest method	-	-	1,727	1,727
Net fair value gain on investments at fair value through profit or loss	-	-	15,165	15,165
Other investment revenue (Dividend income)	-	-	1,466	1,466
Investment return	-	-	18,358	18,358
Net Finance income from insurance contracts issued	-	5,690	-	5,690
Net Finance expenses from reinsurance contracts held	-	(3,144)	-	(3,144)
Net insurance finance results	-	2,546	-	2,546
Net insurance and investment result	-	(10,354)	18,358	8,004
<u>Other operating income / (expenses)</u>				
Allowance for doubtful debts	2,394	(2,394)	-	-
General and administrative expenses	(22,685)	20,077	-	(2,608)
Murabaha income on deposits	1,727	-	(1,727)	-
Realized gain on investments	2,166	-	(2,166)	-
Dividend and investment income	1,758	-	(1,758)	-
Investment expenses	(292)	-	292	-
Finance cost	(27)	-	-	(27)
Other income	240	-	-	240
Total Other Operating Expenses	(14,719)	17,683	(5,359)	(2,395)
Net income for the year before zakat and tax	689	(8,079)	12,999	5,609
Zakat and income tax expense	(3,750)	-	-	(3,750)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS				
AFTER ZAKAT AND INCOME TAX	(3,061)	(8,079)	12,999	1,859

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4. EXPLANATION TO TRANSITION TO IFRS 17 AND IFRS 9 (Continued)

Reconciliation of interim condensed statement of comprehensive income for the three months ended 31 March 2022

	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17 impact	IFRS 9 impact	Post adoption of IFRS 17 & IFRS 9
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(3,061)	(8,079)	12,999	1,859
<u>Other comprehensive income/(loss)</u>				
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>				
Unrealized fair value changes in available-for-sale investments	(2,407)	-	2,407	-
Realization of gain on sale of available for sale investment	15,406	-	(15,406)	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AFTER ZAKAT	9,938	(8,079)	-	1,859

5. CASH AND CASH EQUIVALENTS

	<i>Insurance operations</i>		<i>Shareholders' operations</i>		<i>Total</i>	
	<i>March 31, 2023</i>	<i>December 31, 2022</i>	<i>March 31, 2023</i>	<i>December 31, 2022</i>	<i>March 31, 2023</i>	<i>December 31, 2022</i>
	<i>(Unaudited)</i>	<i>Unaudited</i>	<i>(Unaudited)</i>	<i>Unaudited</i>	<i>(Unaudited)</i>	<i>Unaudited</i>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Cash at banks						
- Current accounts	72,456	45,453	17,505	10,765	89,961	56,218
- Money market fund	-	15,737	-	-	-	15,737
- Short term deposits	-	117,912	35,000	-	35,000	117,912
Less: Allowance for credit loss (Stage 1)	(3)	-	(2)	-	(5)	-
	72,453	179,102	52,503	10,765	124,956	189,867

Cash at bank and units in money market funds are placed with counterparties that have high credit reliability.

Short-term deposits are placed with local and foreign banks with an original maturity of less than three month from the date of placement and earn commission income at an average rate from 4.05% to 5.45% (2022: average rate from 1% to 4%) per annum.

6 INSURANCE CONTRACT LIABILITIES (ASSETS)

The following reconciliations which are presented according to the requirement of IFRS 17 clarifies the movement of Liability of remaining coverage (LRC) and liability of Incurred claims (LIC) during the 3 months period ended 31 March 2023 and the year ended 31 December 2022 for total insurance portfolios of the company.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

	For the three months ended 31 March 2023				
	LRC		LIC		Total SR'000
	Excluding Loss component SR'000	Loss Component SR'000	Estimates of present value of future cashflows SR'000	Risk Adjustment SR'000	
Insurance contract liabilities as at 1/1/2023	319,345	43,005	435,788	20,182	818,320
Insurance contract assets as at 1/1/2023	(935)	-	68	1	(866)
Net insurance contract liabilities as at 1/1/2023	318,410	43,005	435,856	20,183	817,454
Insurance revenue	(274,721)	-	-	-	(274,721)
Incurred claims and other expenses	-	-	275,322	6,657	281,979
Amortization of insurance acquisition cash flows	36,544	-	-	-	36,544
Losses on onerous contracts and reversals of those losses	-	3,998	-	-	3,998
Changes to liabilities for incurred claims	-	-	(54,368)	(7,626)	(61,994)
Insurance service expenses	36,544	3,998	220,954	(969)	260,527
Insurance service result	(238,177)	3,998	220,954	(969)	(14,194)
Insurance finance expenses	-	-	(7,263)	-	(7,263)
Total changes in the statement of income and OCI	(238,177)	3,998	213,691	(969)	(21,457)
Cash flows					
Premiums received	244,814	-	-	-	244,814
Claims and other expenses paid	-	-	(198,610)	-	(198,610)
Insurance acquisition cash flows	(28,553)	-	-	-	(28,553)
Total cash flows	216,261	-	(198,610)	-	17,651
Net insurance contract liabilities as at 31/3/2023	296,494	47,003	450,937	19,214	813,648
Insurance contract liabilities as at 31/3/2023	297,781	47,003	450,879	19,214	814,877
Insurance contract assets as at 31/3/2023	(1,287)	-	58	-	(1,229)
Net insurance contract liabilities as at 31/3/2023	296,494	47,003	450,937	19,214	813,648

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6 INSURANCE CONTRACT LIABILITIES (ASSETS) (CONTINUED)

	For the year ended 31 December 2022				
	LRC		LIC		Total SR'000
	Excluding Loss component SR'000	Loss Component SR'000	Estimates of present value of future cashflows SR'000	Risk Adjustment SR'000	
Insurance contract liabilities as at 1/1/2022	337,027	28,940	367,766	20,042	753,775
Insurance contract assets as at 1/1/2022	(56,200)	-	25,526	2,497	(28,177)
Net insurance contract liabilities as at 1/1/2022	280,827	28,940	393,292	22,539	725,598
Insurance revenue	(1,072,869)	-	-	-	(1,072,869)
Incurred claims and other expenses	-	-	956,647	12,019	968,666
Amortization of insurance acquisition cash flows	136,012	-	-	-	136,012
Losses on onerous contracts and reversals of those losses	-	14,065	-	-	14,065
Changes to liabilities for incurred claims	-	-	(79,073)	(14,375)	(93,448)
Insurance service expenses	136,012	14,065	877,574	(2,356)	1,025,295
Insurance service result	(936,857)	14,065	877,574	(2,356)	(47,574)
Insurance finance expenses	-	-	(557)	-	(557)
Total changes in the statement of income and OCI	(936,857)	14,065	877,017	(2,356)	(48,131)
Cash flows					
Premiums received	1,161,675	-	-	-	1,161,675
Claims and other expenses paid	-	-	(834,453)	-	(834,453)
Insurance acquisition cash flows	(137,393)	-	-	-	(137,393)
Total cash flows	1,024,282	-	(834,453)	-	189,829
Other movements	(49,842)	-	-	-	(49,842)
Net insurance contract liabilities as at 31/21/2022	318,410	43,005	435,856	20,183	817,454
Insurance contract liabilities as at 31/21/2022	319,345	43,005	435,788	20,182	818,320
Insurance contract assets as at 31/21/2022	(935)	-	68	1	(866)
Net insurance contract liabilities as at 31/21/2022	318,410	43,005	435,856	20,183	817,454

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7. REINSURANCE CONTRACT ASSETS (LIABILITIES)

The following reconciliations which are presented according to the requirement of IFRS 17 clarifies the movement of Assets of remaining coverage (ARC) and amounts recoverable of Incurred claims (AIC) during the 3 months period ended 31 March 2023 and the year ended 31 December 2022 for total reinsurance portfolios of the company.

	For the three months ended 31 March 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	
	SR'000	SR'000	SR'000	SR'000	
Reinsurance contract assets as at 1/1/2023	12,136	9,409	97,949	2,288	121,782
Reinsurance contract liabilities as at 1/1/2023	(205)	-	-	-	(205)
Net reinsurance contract assets as at 1/1/2023	11,931	9,409	97,949	2,288	121,577
An allocation of reinsurance premiums	(17,383)	-	-	-	(17,383)
Amounts recoverable for incurred claims and other expenses	-	-	11,301	127	11,428
Loss-recovery on onerous underlying contracts and adjustments	-	4,762	-	-	4,762
Changes to amounts recoverable for incurred claims	-	-	(10,458)	207	(10,251)
Amounts recoverable from reinsurers for incurred claims	-	4,762	843	334	5,939
Insurance service result	(17,383)	4,762	843	334	(11,444)
Reinsurance finance income	-	-	(1,264)	-	(1,264)
Effect of changes in non-performance risk of reinsurers	-	-	(30)	-	(30)
Total changes in the statement of comprehensive income	(17,383)	4,762	(451)	334	(12,738)
Cash flows					
Premiums paid	19,164	-	-	-	19,164
Amounts received	-	-	(9,352)	-	(9,352)
Total cash flows	19,164	-	(9,352)	-	9,812
Net reinsurance contract assets as at 31/03/2023	13,712	14,171	88,146	2,622	118,651
Reinsurance contract assets as at 31/03/2023	13,712	14,171	88,146	2,622	118,651
Reinsurance contract liabilities as at 31/03/2023	-	-	-	-	-
Net reinsurance contract assets as at 31/03/2023	13,712	14,171	88,146	2,622	118,651

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7. REINSURANCE CONTRACT ASSETS (LIABILITIES)

	For the year ended 31 December 2022				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cashflows	Risk Adjustment	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Reinsurance contract assets as at 1/1/2022	9,968	-	91,781	2,955	104,704
Reinsurance contract liabilities as at 1/1/2022	(1,119)	-	-	-	(1,119)
Net reinsurance contract assets as at 1/1/2022	8,849	-	91,781	2,955	103,585
An allocation of reinsurance premiums	(67,556)	-	-	-	(67,556)
Amounts recoverable for incurred claims and other expenses	-	-	65,060	939	65,999
Loss-recovery on onerous underlying contracts and adjustments	-	9,409	-	-	9,409
Changes to amounts recoverable for incurred claims	-	-	(32,916)	(1,606)	(34,522)
Amounts recoverable from reinsurers for incurred claims	-	9,409	32,144	(667)	40,886
Insurance service result	(67,556)	9,409	32,144	(667)	(26,670)
Reinsurance finance income	-	-	(637)	-	(637)
Effect of changes in non-performance risk of reinsurers	-	-	14	-	14
Total changes in the statement of comprehensive income	(67,556)	9,409	31,521	(667)	(27,293)
Cash flows					
Premiums paid	70,638	-	-	-	70,638
Amounts received	-	-	(25,353)	-	(25,353)
Total cash flows	70,638	-	(25,353)	-	45,285
Net reinsurance contract assets as at 31/12/2022	11,931	9,409	97,949	2,288	121,577
Reinsurance contract assets as at 31/12/2022	12,136	9,409	97,949	2,288	121,782
Reinsurance contract liabilities as at 31/12/2022	(205)	-	-	-	(205)
Net reinsurance contract assets as at 31/12/2022	11,931	9,409	97,949	2,288	121,577

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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8. INVESTMENTS

Investments are classified as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Investments at amortized cost	44,800	44,800	82,141	44,063	126,941	88,863
Less: Allowance for credit loss (Stage 1)	(105)	-	(48)	-	(153)	-
Net Investments at amortized cost	44,695	44,800	82,093	44,063	126,788	88,863
Investments at fair value through other comprehensive income	-	-	45,849	8,069	45,849	8,069
Investments at Fair Value through profit or loss	-	-	141,920	205,373	141,920	205,373
Investments at fair value	-	-	187,769	213,442	187,769	213,442
Total	44,695	44,800	269,862	257,505	314,557	302,305

I. Movement in Investments at amortized cost is as follows:

	Insurance operations		Shareholders' operations		Total	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Opening balance	44,800	-	44,063	19,688	88,863	19,688
Purchases	-	44,800	41,828	31,875	41,828	76,675
Disposals	-	-	(3,750)	(7,500)	(3,750)	(7,500)
Closing balance	44,800	44,800	82,141	44,063	126,941	88,863

The Company had investment amounting to SR 95.4 million with a CMA licensed financial institution registered in KSA with fixed maturity term of 1 year with option to further renew. Till year 2019, the management of the Company used to regularly renew its deposit maturity with additional term of 1 year. During 2020, on maturity of the terms of the respective investments, the Company decided not to renew and to liquidate the investments, however it was informed by the respective CMA registered financial institution that the underlying investment made by the financial institution could not be liquidate currently as per the maturity terms of the contract entered. As on December 31, 2022, the management of the Company has performed a detailed assessment of such investments which resulted in the impairment of the underlying investment held for the three-month period ended March 31, 2023 by SR 2.6 million (2022:SR 2.6 million).

During 2022, the company filed a dispute case against the financial institution in the Committee for Resolution of Securities Disputes and received the decision on August 2, 2022, rejecting the dispute due to lack of Jurisdiction. On December 27, 2022, the company has filed another lawsuit against the financial institution, its Board of Directors and responsible management for the same ongoing dispute. Further, subsequent developments will be disclosed in due course.

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8. INVESTMENTS (Continued)

II. Movements in Investments at fair value through other comprehensive income

	Insurance operations		Shareholders' operations		Total	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Opening balance	-	-	8,069	8,069	8,069	8,069
Change in FMV	-	-	37,780	-	37,780	-
Closing balance	-	-	45,849	8,069	45,849	8,069

III. Movements in Investments at fair value through profit or loss:

	Insurance operations		Shareholders' operations		Total	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Opening balance	-	-	205,373	205,239	205,373	205,239
Purchases	-	-	11,888	116,374	11,888	116,374
Disposals	-	-	(77,035)	(113,183)	(77,035)	(113,183)
Realization of gain / (loss) on disposal of AFS investments	-	-	2,832	(21,394)	2,832	(21,394)
Realized Profits / (losses)	-	-	(1,138)	18,337	(1,138)	18,337
Closing balance	-	-	141,920	205,373	141,920	205,373

9. ZAKAT AND INCOME TAX

Provision for zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company. Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Movement in the provision for zakat and income tax during the period:

	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)
	SR'000	SR'000
At the beginning of the period / year	23,064	25,308
Provision for the period / year	4,000	18,500
Paid during the period / year	-	(20,744)
At the end of the period / year	27,064	23,064

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

9 ZAKAT AND INCOME TAX (Continued)

The movement zakat provision is as follows:

	March 31,2023	December 31,2022
	Unaudited	Unaudited
	SAR'000	SAR'000
At the beginning of the period / year	22,437	24,808
Provision for the period / year	3,900	18,039
Paid during the period / year	-	(20,410)
At the end of the period / year	26,337	22,437

The movement in income tax provision is as follows:

	March 31,2023	December 31,2022
	Unaudited	Unaudited
	SAR'000	SAR'000
At the beginning of the period / year	627	500
Provision for the period / year	100	461
Paid during the period / year	-	(334)
At the end of the period / year	727	627

The following is the shareholding percentage subject to zakat and income tax in the financial statements as at the end of the period:

	March 31,2023	December 31,2022
	%	%
Shareholding subject to zakat	97.51	97.51
Shareholding subject to income tax	2.49	2.49

Status of zakat and income tax certificate

The Company has submitted its zakat and tax returns up to the year ended December 31, 2022.

The Company has received final clearance certificate from ZATCA till the year 2015. In 2020, the Company received assessment for the year 2016, 2017 and 2018 with an additional demand of zakat and income tax amounting to SR 2.7 million, SR 3.9 million and SR 3.8 million respectively. Management has made the payment amounting to SR 3.8 million against 2018 assessment and concluded the assessment. With respect to assessment for the year 2016 and 2017 management has filed an objection.

The assessment received for the year 2016 and 2017 includes additional withholding tax liability of SR 2.3 million and SR 2.8 million respectively. In 2020, the Company has paid the amount, however management has filed an objection. Charge for the withholding tax liability is accounted for under general and administrative expenses in the year 2020.

In 2020, the Company has received VAT assessment order with additional liability of SR 4.1 million. The Company has paid the amount; however, management has filed an objection. Charge for the additional VAT liability is accounted for under general and administrative expenses in the year 2020.

Additionally, the zakat assessments of Trade Union Insurance Company (B.S.C.) (closed) have been finalized by the ZATCA for the years 2000 to 2008 claiming zakat and income tax liability amounting to SR 10.6 million and withholding tax dues amounting to SR 8.9 million. Management has filed an objection against these assessments and the primary objection committee concluded the same in favor of ZATCA. However, the management filed an objection to the Appeal Committee of Zakat and Income Tax following the regulatory procedures.

In 2015, the ZATCA has issued an adjusted assessment for the same years 2000-2008 claiming the same amount as per the Preliminary Committee's decision. The Company has appealed against these assessments and management expects to receive a favorable ruling. Subsequently, the Company paid an additional amount of SR 8.8 million and submitted a letter of guarantee for SR 10.19 million for zakat. During to current period the Company received the revised order with additional zakat liability of SR 9.2 million and for withholding tax of SR 0.5 million net of payment.

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9 ZAKAT AND INCOME TAX (Continued)

Status of zakat and income tax certificate (Continued)

In Q1 2022, the company received assessment for 2019 and 2020 with an additional demand of zakat and income tax amounting to SR 5.6 million and SR 4.6 million respectively. The company objected against the assessments and paid 25% of zakat as an objection procedure plus full amount of income tax to avoid penalties. The company then paid all additional amounts related to accepted points amounted SR 5 million. ZATCA rejected the objection, the company raised the case to GSTC and still in procedure.

On 31 May 2023, the company received VAT assessment for the year 2020 with additional amount of 7.45 million. Full amount was accrued in 2022 and has no effect on the current year results. The company has paid full amount and planning to object against this assessment.

Payment has been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

10 SHARE CAPITAL

The authorized, issued and paid-up share capital is SR 450 million at March 31, 2023 consisting of 45 million shares (December 31, 2022: SR 450 million consisting of 45 million shares) of SR 10 each.

On July 3, 2022, the Company has taken the capital increase in place from SR 400 million to SR 450 million through bonus shares issuance which has been made through capitalization of SR 30 million from the statutory reserve and SR 20 million from the retained earnings.

Shareholding structure of the Company is as below.

		31-Mar-23	
		No. of Shares	Paid up (SR)
Trade Union Holding Co. – Bahrain		10,062,000	100,620,000
Al Ahlia Insurance Co. – Kuwait		4,499,999	44,999,990
Others		30,438,001	304,380,010
		45,000,000	450,000,000
		31-Dec-22	
		No. of Shares	Paid up (SR)
Trade Union Holding Co. – Bahrain		10,062,000	100,620,000
Al Ahlia Insurance Co. – Kuwait		4,499,999	44,999,990
Others		30,438,001	304,380,010
		45,000,000	450,000,000

11 COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	31-Mar-23	31-Dec-22
	(Unaudited)	(Unaudited)
	SR'000	SR'000
Letters of guarantee	24,710	15,266
Total	24,710	15,266

The Company subject to legal processing in the ordinary course of business. There was no change in the status of legal proceeding.

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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 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 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Insurance Operations:

SAR'000	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
March 31, 2023 (Unaudited)					
<u>Investments measured at fair value</u>					
Investments at fair value through other comprehensive income	-	-	-	-	-
Investments at Fair Value through profit or loss	-	-	-	-	-
	-	-	-	-	-
<u>Investments not measured at fair value (2) (3)</u>					
Investments at amortized cost	44,800	44,800	-	-	44,800
	44,800	44,800	-	-	44,800

SAR'000	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
December 31, 2022 (Unaudited)					
<u>Investments measured at fair value</u>					
Investments at fair value through other comprehensive income	-	-	-	-	-
Investments at Fair Value through profit or loss	-	-	-	-	-
	-	-	-	-	-
<u>Investments not measured at fair value (2) (3)</u>					
Investments at amortized cost	44,800	44,800	-	-	44,800
	44,800	44,800	-	-	44,800

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12 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Shareholders' Operations:

SAR'000	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
March 31, 2023 (Unaudited)					
<u>Investments measured at fair value</u>					
Investments at fair value through other comprehensive income	45,849	-	-	45,849	45,849
Investments at fair value through profit or loss	141,920	89,067	11,575	41,278	141,920
	187,769	89,067	11,575	87,127	187,769
<u>Investments not measured at fair value (2) (3)</u>					
Investments at amortized cost	82,141	55,141	-	27,000	82,141
	82,141	55,141	-	27,000	82,141
SAR'000					
December 31, 2022 (Unaudited)					
<u>Investments measured at fair value</u>					
Investments at fair value through other comprehensive income	8,069	-	-	8,069	8,069
Investments at fair value through profit or loss	205,373	148,457	15,639	41,277	205,373
	213,442	148,457	15,639	49,346	213,442
<u>Investments not measured at fair value (2) (3)</u>					
Investments at amortized cost	44,063	17,063	-	27,000	44,063
	44,063	17,063	-	27,000	44,063

13 OPERATING SEGMENTS

For management purposes, the Company is organized into business segments classified as: Motor, Medical, Property and Casualty. These segments are the basis on which the Company reports its primary segment information. On 29 December 2021, the company received SAMA approval for Protection and Saving insurance. However, the company has not started production under this umbrella, accordingly this new license has no impact on the financials statement for the three-month period ended March 31, 2023.

Segment results do not include revenue from investments management services and provision for zakat.

Segment assets do not include cash and cash equivalents, investments, prepaid expenses and other assets, long term / fixed income deposits, property and equipment, right of use assets, goodwill, Statutory deposits, and accrued income on statutory deposits. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accrued and other liabilities, Lease liability, end-of-service indemnities, zakat and income tax, and accrued commission income payable to SAMA. 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.

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FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

13 OPERATING SEGMENTS (Continued)

Interim statement of financial position

	As at March 31, 2023 (Unaudited)					
	Insurance operations				Shareholders'	
	Motor	Medical	Property and casualty	Total	operations	Total
	SAR'000					
Assets						
Insurance contract assets	-	1,229	-	1,229	-	1,229
Reinsurance contract assets	4,508	1,943	112,200	118,651	-	118,651
Unallocated assets	-	-	-	831,621	567,294	1,398,915
Total assets	4,508	3,172	112,200	951,501	567,294	1,518,795
Liabilities						
Insurance contract liabilities	400,811	242,332	171,734	814,877	-	814,877
Unallocated liabilities	-	-	-	81,597	35,740	117,337
Total liabilities	400,811	242,332	171,734	896,474	35,740	932,214
	As at December 31, 2022 (Unaudited)					
	Insurance operations				Shareholders'	
	Motor	Medical	Property and casualty	Total	operations	Total
	SAR'000					
Assets						
Insurance contract assets	-	866	-	866	-	866
Reinsurance contract assets	5,791	9,333	106,658	121,782	-	121,782
Unallocated assets	-	-	-	820,996	571,815	1,392,811
Total assets	5,791	10,199	106,658	943,644	571,815	1,515,459
Liabilities						
Insurance contract liabilities	405,107	255,913	157,300	818,320	-	818,320
Reinsurance contract liabilities	-	-	205	205	-	205
Unallocated liabilities	-	-	-	129,168	31,152	160,320
Total liabilities	405,107	255,913	157,505	947,693	31,152	978,845

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FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

13 OPERATING SEGMENTS (Continued)

Interim statement of income

	For the three-month ended March 31, 2023			
	(Unaudited)			
Operating segments	Motor	Medical	Property and casualty	Total
	SAR'000			
Insurance revenue	136,607	122,994	15,120	274,721
Insurance service expenses	(146,786)	(113,937)	196	(260,527)
Insurance service result before reinsurance contracts held	(10,179)	9,057	15,316	14,194
Allocation of reinsurance premiums	(4,218)	1,013	(14,178)	(17,383)
Amounts recoverable from reinsurers for incurred claims	437	(1,084)	6,586	5,939
Net expenses from reinsurance contracts held	(3,781)	(71)	(7,592)	(11,444)
Insurance service result	(13,960)	8,986	7,724	2,750
Interest revenue calculated using the effective interest rate method				8,714
Net fair value gains on investments at fair value through profit or loss				1,694
Other investment revenue (Dividend income)				108
Net impairment loss on investments				(158)
Investment return				10,358
Net finance income from insurance contracts issued	4,517	1,098	1,648	7,263
Net finance expense from reinsurance contracts held	(192)	(215)	(887)	(1,294)
Net insurance financial result	4,325	883	761	5,969
Other operating expenses				(2,806)
Other finance costs				(81)
Other income				(3)
Other operating expenses				(2,890)
Profit for the year before zakat				16,187
Provision for zakat				(4,000)
Profit for the year after zakat attributable to the shareholders				12,187

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13 OPERATING SEGMENTS (Continued)

Interim statement of income (Continued)

	For the three-month ended March 31, 2022 (Unaudited)			
Operating segments	Motor	Medical	Property and casualty	Total
	SAR'000			
Insurance revenue	107,030	108,923	14,532	230,485
Insurance service expenses	(145,449)	(93,875)	15,137	(224,187)
Insurance service result before reinsurance contracts held	(38,419)	15,048	29,669	6,298
Allocation of reinsurance premiums	(2,797)	(2,665)	(8,993)	(14,455)
Amounts recoverable from reinsurers for incurred claims	1,337	2,774	(8,854)	(4,743)
Net revenue / (expenses) from reinsurance contracts held	(1,460)	109	(17,847)	(19,198)
Insurance service result	(39,879)	15,157	11,822	(12,900)
Interest revenue calculated using the effective interest rate method				1,727
Net fair value gains on investments at fair value through profit or loss				15,165
Other investment revenue (Dividend income)				1,466
Investment return				18,358
Net finance income from insurance contracts issued	2,197	1,139	2,354	5,690
Net finance expense from reinsurance contracts held	(43)	(78)	(3,023)	(3,144)
Net insurance financial result	2,154	1,061	(669)	2,546
Other operating expenses				(2,608)
Other finance costs				(27)
Other income				240
Other operating expenses				(2,395)
Profit for the year before zakat				5,609
Provision for zakat				(3,750)
Profit for the year after zakat attributable to the shareholders				1,859

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13 OPERATING SEGMENTS (Continued)

Breakdown of gross written premium in accordance to Circular (170)

For the three-month ended March 31, 2023 (Unaudited)				
Operating segments	Motor	Medical	Property and casualty	Total
SAR'000				
REVENUES				
Gross premiums written				
Individual	42,358	437	552	43,347
Micro Entities	342	74,320	219	74,881
Small Entities	3,479	2,512	3,451	9,442
Medium Entities	5,029	2,706	7,351	15,086
Large Organizations	75,245	4,618	15,419	95,282
Gross premiums written	126,453	84,593	26,992	238,038
Reinsurance premiums ceded - Local	(692)	(444)	(3,673)	(4,809)
Reinsurance premiums ceded - Foreign	(917)	-	(20,831)	(21,748)
Excess of loss expenses	(2,129)	1,100	(931)	(1,960)
Net premiums written	122,715	85,249	1,557	209,521

For the three-month ended March 31, 2022 (Unaudited)				
Operating segments	Motor	Medical	Property and casualty	Total
SAR'000				
REVENUES				
Gross premiums written				
Individual	108,664	152	463	109,279
Micro Entities	488	98,662	323	99,473
Small Entities	1,969	2,269	3,577	7,815
Medium Entities	5,913	4,787	5,319	16,019
Large Organizations	49,265	12,610	6,949	68,824
Gross premiums written	166,299	118,480	16,631	301,410
Reinsurance premiums ceded - Local	(870)	-	(1,218)	(2,088)
Reinsurance premiums ceded - Foreign	(3,935)	-	(13,243)	(17,178)
Excess of loss expenses	(1,343)	(2,665)	(386)	(4,394)
Net premiums written	160,151	115,815	1,784	277,750

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

The following are the details of major related parties' transactions during the year and the related balances:

For the three months ended March 31			
Related parties	Nature of transactions	2023	2022
		(Unaudited)	(Unaudited)
		SAR'000	SAR'000
Board members	Gross premium written from Directors and their related parties	246	318
	Reinsurance premium ceded	968	684
	Reinsurers' share of claims paid	49	88

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14 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Balances due from/(to) related parties are comprised of the followings:

<i>Related parties</i>	<i>Balances due from / (to) related parties</i>	
	<i>31-Mar-23</i>	<i>31-Dec-22</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Affiliates		
Trade Activities Company	(2,441)	(2,441)

<i>Related parties</i>	<i>Premiums and reinsurance receivables</i>		<i>Reinsurance payables</i>	
	<i>31-Mar-23</i>	<i>31-Dec-22</i>	<i>31-Mar-23</i>	<i>31-Dec-22</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Board members	-	32	(842)	(592)
Total	-	32	(842)	(592)

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

	<i>31-Mar-23</i>	<i>31-Dec-22</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Salaries and other allowances	1,347	1,183
End of service indemnities	72	69
	1,419	1,252

15 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, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

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16 SUPPLEMENTARY INFORMATION

Interim condensed financial position

	March 31, 2023 (Unaudited)			December 31, 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
ASSETS						
Cash and cash equivalents	72,453	52,503	124,956	179,102	10,765	189,867
Insurance contract assets	1,229	-	1,229	866	-	866
Reinsurance contract assets	118,651	-	118,651	121,782	-	121,782
Investments at amortized cost	44,696	82,092	126,788	44,800	44,063	88,863
Investments at fair value	-	187,769	187,769	-	213,442	213,442
Prepaid expenses and other assets	85,894	6,130	92,024	54,721	5,246	59,967
Long term / fixed income deposits	605,691	182,551	788,242	520,692	242,550	763,242
Property and equipment, net	15,283	-	15,283	13,343	-	13,343
Right-of-use assets	7,604	-	7,604	8,338	-	8,338
Goodwill	-	4,497	4,497	-	4,497	4,497
Statutory deposit	-	45,000	45,000	-	45,000	45,000
Accrued income on statutory deposit	-	6,752	6,752	-	6,252	6,252
Due from shareholders'/insurance operations	-	56,117	56,117	29,359	26,401	55,760
Total assets	951,501	623,411	1,574,912	973,003	598,216	1,571,219
Less: interoperation elimination	-	(56,117)	(56,117)	(29,359)	(26,401)	(55,760)
Total assets as per SOFP	951,501	567,294	1,518,795	943,644	571,815	1,515,459

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16 SUPPLEMENTARY INFORMATION (Continued)

Interim condensed financial position (Continued)

	March 31, 2023 (Unaudited)			December 31, 2022 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
<u>LIABILITIES</u>						
Accrued and other liabilities	57,525	1,924	59,449	104,910	1,836	106,746
Lease liabilities	7,423	-	7,423	7,342	-	7,342
Insurance contract liabilities	814,877	-	814,877	818,320	-	818,320
Reinsurance contract liabilities	-	-	-	205	-	205
End of service indemnities	16,649	-	16,649	16,916	-	16,916
Zakat and income tax	-	27,064	27,064	-	23,064	23,064
Accrued commission income payable to SAMA	-	6,752	6,752	-	6,252	6,252
Due to shareholders'/insurance operations	56,117	-	56,117	26,401	29,359	55,760
Total liabilities	952,591	35,740	988,331	974,094	60,511	1,034,605
Less: interoperation elimination	(56,117)	-	(56,117)	(26,401)	(29,359)	(55,760)
Total liabilities as per SOFP	896,474	35,740	932,214	947,693	31,152	978,845
<u>Equity</u>						
Share capital	-	450,000	450,000	-	450,000	450,000
Statutory reserve	-	12,756	12,756	-	12,756	12,756
Retained earnings	-	87,135	87,135	-	74,948	74,948
Fair value reserve on investments	-	37,780	37,780	-	-	-
Remeasurement actuarial loss on end of service indemnities	(1,090)	-	(1,090)	(1,090)	-	(1,090)
Total equity	(1,090)	587,671	586,581	(1,090)	537,704	536,614
Total liabilities and equity	895,384	623,411	1,518,795	946,603	568,856	1,515,459

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

16 SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of income

	For the Three months period ended March 31,2023			For the Three months period ended March 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
Insurance revenue	274,721	-	274,721	230,485	-	230,485
Insurance service expenses	(260,527)	-	(260,527)	(224,187)	-	(224,187)
Insurance service result before reinsurance contracts held	14,194	-	14,194	6,298	-	6,298
Allocation of reinsurance premiums	(17,383)	-	(17,383)	(14,455)	-	(14,455)
Amounts recoverable from reinsurers for incurred claims	5,939	-	5,939	(4,743)	-	(4,743)
Net income from reinsurance contracts held	(11,444)	-	(11,444)	(19,198)	-	(19,198)
Insurance service result	2,750	-	2,750	(12,900)	-	(12,900)
Interest revenue calculated using the effective interest method	6,025	2,689	8,714	1,146	581	1,727
Net fair value gains on investments at fair value through profit or loss	-	1,694	1,694	-	15,165	15,165
Other investment revenue (Dividend income)	105	3	108	839	627	1,466
Net impairment loss on investments	(107)	(51)	(158)	-	-	-
Investment return	6,023	4,335	10,358	1,985	16,373	18,358
Net Finance income from insurance contracts issued	7,263	-	7,263	5,690	-	5,690
Net Finance expenses from reinsurance contracts held	(1,294)	-	(1,294)	(3,144)	-	(3,144)
Net insurance finance results	5,969	-	5,969	2,546	-	2,546
Net insurance and investment result	14,742	4,335	19,077	(8,369)	16,373	8,004
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Non-attributable General and administrative expenses	(2,145)	(661)	(2,806)	(2,085)	(523)	(2,608)
Finance cost	(81)	-	(81)	(27)	-	(27)
Other (expenses) / income	(3)	-	(3)	240	-	240
<u>TOTAL OTHER OPERATING EXPENSES</u>	(2,229)	(661)	(2,890)	(1,872)	(523)	(2,395)
Income for the period before Zakat and income tax	12,513	3,674	16,187	(10,241)	15,850	5,609
Income for the period attributable to the Shareholders	(12,513)	12,513	-	10,241	(10,241)	-
Zakat and income tax expense	-	(4,000)	(4,000)	-	(3,750)	(3,750)
Income for the period attributable to the Shareholders	-	12,187	12,187	-	1,859	1,859

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

16 SUPPLEMENTARY INFORMATION (Continued)

Interim Condensed Statement of other comprehensive income

	For the Three months period ended			For the Three months period ended		
	March 31,2023			March 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000					
Income for the period attributable to the Shareholders	-	12,187	12,187	-	1,859	1,859
<u>Other comprehensive income</u>						
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>						
Unrealized fair value changes in available-for-sale investments	-	37,780	37,780	-	-	-
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>						
<u>AFTER ZAKAT</u>	-	49,967	49,967	-	1,859	1,859

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

16 SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of cash flows

	For the Three months period ended March 31,2023			For the Three months period ended March 31,2022		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	SAR'000					
Net income for the period	-	16,187	16,187	-	5,609	5,609
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	790	-	790	780	-	780
Depreciation charge of right to use assets	734	-	734	404	-	404
Expected credit loss (Investments)	107	51	158	-	-	-
Gains on investments	-	(1,694)	(1,694)	-	(15,165)	(15,165)
Finance cost	81	-	81	27	-	27
Provision for end-of-service indemnities	-	-	-	850	-	850
<u>Changes in operating assets and liabilities:</u>						
Insurance contract assets	(363)	-	(363)	11,254	-	11,254
Reinsurance contract assets	3,131	-	3,131	19,850	-	19,850
Prepaid expenses and other assets	(31,174)	(883)	(32,057)	6,382	211	6,593
Accrued and other liabilities	(47,385)	88	(47,297)	(13,219)	(257)	(13,476)
Insurance contract liabilities	(3,443)	-	(3,443)	32,575	-	32,575
Reinsurance contract liabilities	(205)	-	(205)	(1,110)	-	(1,110)
Due from insurance operations	-	(29,716)	(29,716)	-	10,241	10,241
Due to insurance operations	-	(29,359)	(29,359)	-	62,940	62,940
Due from shareholders' operations	29,359	-	29,359	(62,940)	-	(62,940)
Due to shareholders' operations	29,716	-	29,716	(10,241)	-	(10,241)
	(18,652)	(45,326)	(63,978)	(15,388)	63,579	48,191
End-of-service indemnities paid	(267)	-	(267)	(1,147)	-	(1,147)
Zakat and income tax paid	-	-	-	-	(20,744)	(20,744)
Net cash (used in) / generated from operating activities	(18,919)	(45,326)	(64,245)	(16,535)	42,835	26,300
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in investments at amortized cost	-	(38,083)	(38,083)	-	(31,250)	(31,250)
Net movement in investments at fair value	-	65,147	65,147	-	(9,384)	(9,384)
Net movement in long term/fixed income deposits	(85,000)	60,000	(25,000)	95,000	51,000	146,000
Net movement in property and equipment	(2,730)	-	(2,730)	(1,392)	-	(1,392)
Net cash (used in) / generated from investing activities	(87,730)	87,064	(666)	93,608	10,366	103,974
Net change in cash and cash equivalents	(106,649.00)	41,738.00	(64,911.00)	77,073	53,201	130,274
Cash and cash equivalents, beginning of the period	179,102	10,765	189,867	387,419	148,079	535,498
Cash and cash equivalents, end of the period	72,453	52,503	124,956	464,492	201,280	665,772
NON-CASH INFORMATION						
Unrealized gain on available for sale investments	-	37,780	37,780	-	-	-

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

17. COMPRATIVE FIGURES

The Company has reclassified and restated the comparative figures to meet the requirements of the newly implemented standard IFRS 17 and IFRS 9. Please refer to note 4 of the interim condensed financial statements for more details.

18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board, on June 13,2023, corresponding to Dhul Qa'da 24,1444 H.