

**BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE AND SIX MONTHS PERIOD ENDED
30 JUNE 2023**

**BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS**

For The Three and Six Months Period Ended 30 June
2023

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

To The Shareholders of
Buruj Cooperative Insurance Company
(A Saudi Joint Stock Company)
Al Riyadh
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) ("the Company") as at June 30, 2023, the related interim condensed statements of income and comprehensive income for the three and six month periods then ended, and the interim condensed statements of changes in equity and cash flows for the six month period then ended, and the related notes which form integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 of Buruj Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

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26 Muharram 1445H
13 August 2023 G

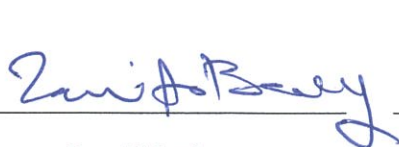


BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Unaudited) Restated*	01 January 2022 (Unaudited) Restated*
ASSETS				
Cash and bank balances	6	318,475,038	254,568,441	237,206,233
Insurance contract assets	5	59,964,442	-	-
Reinsurance contract assets	5	40,142,166	29,202,456	27,824,729
Prepaid expenses and other assets		49,935,603	45,828,733	20,187,973
Term deposits	7	139,989,394	184,963,655	331,997,995
Investments	8	202,783,980	187,616,899	192,367,751
Property and equipment, net		4,467,050	3,539,910	4,129,551
Right-of-use assets		836,396	1,334,056	5,701,429
Accrued income		9,660,543	8,776,537	8,592,050
Statutory deposit	16	29,995,374	29,998,817	29,996,867
Accrued commission income on statutory deposit		2,912,412	2,582,066	2,353,079
TOTAL ASSETS		859,162,398	748,411,570	860,357,657
LIABILITIES				
Accrued expenses and other liabilities		23,835,578	12,154,465	11,049,086
Insurance contract liabilities	5	356,530,775	277,520,829	353,736,099
Reinsurance contract liabilities	5	13,521,508	-	-
Lease Liabilities		550,209	1,092,627	5,196,480
Provision for end-of-service benefits (EOSB)		8,371,074	8,227,890	12,311,821
Provision for zakat and income tax	13	20,307,590	26,560,287	32,841,217
Accrued income payable to SAMA		2,912,412	2,582,066	2,353,079
TOTAL LIABILITIES		426,029,146	328,138,164	417,487,782
EQUITY				
Share capital	14	300,000,000	300,000,000	300,000,000
Statutory reserves		51,584,068	51,584,068	51,584,068
Retain earnings		40,948,498	28,289,015	57,064,230
Fair value reserve on available investments		37,780,049	37,780,049	35,109,482
Foreign Currency translation adjustments		(150,522)	(350,885)	181,433
Actuarial gain / (loss) on retirement benefit schemes		2,971,159	2,971,159	(1,069,338)
TOTAL EQUITY		433,133,252	420,273,406	442,869,875
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		859,162,398	748,411,570	860,357,657

COMMITMENTS AND CONTINGENCIES

*Comparative information has been restated (Refer Note 3)



Board Member



General Manager




Finance Manager

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
For the Six-months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the three months period ended		For the six months period ended	
		30 June 2023 SAR	30 June 2022 SAR (Unaudited) Restated	30 June 2023 SAR	30 June 2022 SAR (Unaudited) Restated
Insurance revenue	5	87,216,100	102,836,501	168,920,359	189,679,684
Insurance service expense	5	(56,331,643)	(114,929,757)	(153,890,413)	(240,375,900)
Net expenses from reinsurance contracts held	5	(8,266,183)	(2,043,738)	(13,874,188)	(10,181,686)
Insurance service result		22,618,274	(14,136,994)	1,155,758	(60,877,902)
Fair value change on FVTPL investments		2,132,378	(3,895,939)	2,258,120	(2,607,477)
Interest revenue from financial assets measured at FVTPL		688,457	846,021	1,577,864	1,884,126
Interest Revenue from financial assets measured at amortised Cost		4,527,216	4,381,953	6,710,322	8,270,873
Dividend from financial assets measured at FVTPL		1,005,515	708,942	1,716,579	1,274,529
Net (impairment) reversal on financial assets		(98,256)	718,852	(43,594)	1,921,249
Other investment income / (loss)		179,527	70,826	(3,789)	215,856
Net investment results		8,434,837	2,830,655	12,215,502	10,959,156
Finance income / (expense) from insurance contracts issued	5	1,004,503	(4,175,170)	(780,165)	(2,957,815)
Finance (expenses) / income from reinsurance contracts held	5	(69,047)	399,899	(106,965)	318,586
Net insurance finance income / (expense)		935,456	(3,775,271)	(887,130)	(2,639,229)
Net insurance and investment results		31,988,567	(15,081,610)	12,484,130	(52,557,975)
Other operating expenses		(3,780,944)	(2,745,076)	(6,434,357)	(6,303,502)
Other income		4,872,899	3,104,362	11,593,010	4,616,068
Net profit / (loss) attributed to the shareholders before zakat		33,080,522	(14,722,324)	17,642,783	(54,245,409)
Provision for zakat & tax	13	(2,483,300)	(1,960,260)	(4,983,300)	(4,638,279)
NET PROFIT / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT		30,597,222	(16,682,584)	12,659,483	(58,883,688)
Basic and diluted earnings /(loss) per share (express in SAR per share)	11	1.02	(0.56)	0.42	(1.96)


Board Member


General Manager


Finance Manager

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Six-months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Three-month period ended</u>		<u>For the six months period ended</u>	
	<u>30 June</u>	<u>30 June 2022</u>	<u>30 June</u>	<u>30 June 2022</u>
	<u>2023</u>	<u>(Unaudited)</u>	<u>2023</u>	<u>(Unaudited)</u>
		<u>Restated*</u>		<u>Restated*</u>
Note				
NET INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	30,597,222	(16,682,584)	12,659,483	(58,883,688)
Other comprehensive (loss):				
<i>Items that will not be reclassified to the interim condensed statement of income in subsequent period</i>				
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-	-	-
<i>Items that will be reclassified to the interim condensed statement of income in subsequent period</i>				
Changes in foreign currency translation	109,266	(383,063)	200,363	(543,573)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	30,706,488	(17,065,647)	12,859,846	(59,427,261)

*Comparative information has been restated (Refer Note 3)

		
Board Member	General Manager	Finance Manager

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six-months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve on available for sale investments	Accumulated gain/ (loss) on end-of-service benefits	Foreign currency translation adjustments	Total equity
2023							
Restated balance at 31 December 2022 (unaudited)	300,000,000	51,584,068	28,289,015	37,780,049	2,971,159	(350,885)	420,273,406
<u>Total comprehensive loss for the year</u>							
Net loss after Zakat and Income Tax for the year attributable to shareholders	-	-	12,659,483	-	-	-	12,659,483
Foreign currency translation	-	-	-	-	-	200,363	200,363
Balance at 30 June 2023 (unaudited)	300,000,000	51,584,068	40,948,498	37,780,049	2,971,159	(150,522)	433,133,252
2022							
Balance at 31 December 2021 (audited)	300,000,000	51,584,068	83,268,715	3,702,737	(1,069,338)	181,433	437,667,615
Impact of adopting IFRS 17	-	-	(27,458,960)	-	-	-	(27,458,960)
Impact of adopting IFRS 9	-	-	1,254,475	31,406,745	-	-	32,661,220
* Restated balance at 1 January 2022 (unaudited)	300,000,000	51,584,068	57,064,230	35,109,482	(1,069,338)	181,433	442,869,875
<u>Total comprehensive loss for the year</u>							
Net loss after Zakat and Income Tax for the year attributable to shareholders	-	-	(58,883,688)	-	-	-	(58,883,688)
Foreign currency translation	-	-	-	-	-	(543,573)	(543,573)
Restated balance at 30 June 2022 (unaudited)	300,000,000	51,584,068	(1,819,458)	35,109,482	(1,069,338)	(362,140)	383,442,614


Board Member

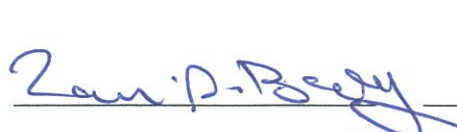

General Manager


Finance Manager

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the Six-months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Six-months period ended	
	30 June 2023	30 June 2022 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(loss) attributed to shareholders before zakat and income tax	17,642,783	(54,245,409)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	726,505	811,111
Provision for end-of-service indemnities	701,833	683,339
Share of loss / (gain) of associate	3,789	(215,856)
Net fair value (gain) / loss on investments at FVPL	(2,258,120)	2,607,477
Gain on disposal of property and equipment	-	(6,631)
Depreciation of right-of-use assets	497,660	707,767
Net reversal/loss on impairment	(22,297)	(1,347,567)
Interest expense on lease liability	7,582	20,150
	17,299,735	(50,985,619)
<u>Changes in operating assets and liabilities:</u>		
Insurance contract assets	(59,964,442)	-
Reinsurance contract Assets	(10,939,710)	(5,969,744)
Insurance contract Liabilities	79,009,946	52,216,716
Reinsurance contract liabilities	13,521,508	-
Accrued Income	(884,006)	(1,842,139)
Prepaid expenses and other assets	(4,106,870)	(6,541,915)
Accrued expenses and other liabilities	11,681,113	(871,448)
	45,617,274	(13,994,149)
Zakat paid	(11,235,997)	(10,546,668)
End-of-service benefits paid	(399,765)	(1,210,047)
Net cash generated / used in operating activities	33,981,512	(25,750,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposits	45,000,000	(112,605,619)
Proceeds from available for sale investments	1,879,818	4,363,459
Additions in property and equipment	(1,813,743)	(1,013,746)
Proceeds from disposal Fixed Assets	1,217	21,153
Additions in investments	(14,592,207)	(58,162,118)
Net cash generated from / (used in) investing activities	30,475,085	(167,396,871)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liabilities	(550,000)	(446,258)
Net cash generated from Financing activities	(550,000)	(446,258)
Net change in cash and cash equivalents	63,906,597	(193,593,993)
Cash and cash equivalents, beginning of the year	254,568,441	237,206,233
Cash and cash equivalents, end of the Period	318,475,038	43,612,240



Board Member



General Manager



Finance Manager

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Central Bank (“SAMA”) issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders’ operations in full.

2 BASIS OF PREPARATION

(a) Basis of presentation

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

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 other comprehensive income (FVOCI) and liabilities for defined benefit obligations i.e., Employees’ end of service benefits (“EOSBs”) recorded at the present value. The Company’s interim condensed statement of financial position is presented in order of liquidity.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2022. The risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2022 except as mentioned in Note 4.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

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

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR), unless otherwise indicated.

(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 expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

Insurance Contracts

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

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgement and estimates include loss component (LC), risk adjustment ("RA") and liability for incurred claims – estimate of future cash flows. Refer to Note 3 for further details.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts for the prior year / period.

Except for the changes below and accounting policies explained in Note 4, the Company has consistently applied the accounting policies used in the preparation of the annual financial statements for the year ended 31 December 2022.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Recognition, measurement, and presentation of reinsurance contracts (continued)

IFRS 17 - Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. 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.

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 cash flows. In addition, investment components are no longer included in reinsurance revenue and reinsurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities. Reinsurance finance income and expenses are presented separately from reinsurance revenue and reinsurance service expenses.

The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts for both insurance contracts issued, and reinsurance contracts held for all the segments. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cashflows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non – financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from insurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from insurance and reinsurance expenses were presented separately.

ii) Presentation and disclosures

For presentation in the statement of financial position, the line items for insurance contracts issued and reinsurance contracts held have been changed significantly compared with last year. Previously balance sheet items related to insurance and reinsurance contracts were split into the following line items:

- Assets
 - Premiums and reinsurers' receivable, net
 - Reinsurers' share of unearned premiums
 - Reinsurers' share of outstanding claims
 - Reinsurers' share of claims incurred but not reported
 - Deferred policy acquisition costs
- Liabilities
 - Accrued expenses and other liabilities (Part of the accounts payable has been reclassified into insurance contract asset / liability)
 - Outstanding claims reserve
 - Claims incurred but not reported

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Presentation and disclosures (continued)

- Unearned premiums
- Other technical reserves
- Reinsurers' balances payable
- Unearned reinsurance commission

Under IFRS 17, the Company aggregates insurance contracts issued, and reinsurance contracts held, respectively and presents separately on the balance sheet:

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

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of income and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Reinsurance premiums ceded
- Changes in unearned premiums, net
- Reinsurance commissions
- Policy fees and other underwriting Income
- Gross claims paid
- Reinsurers' share of claims paid
- Changes in outstanding claims, net
- Changes in incurred but not reported claims, net
- Change in premium deficiency reserve
- Change in other technical reserve
- Policy acquisition costs
- Policy acquisition costs
- Inspection and supervision fees
- Other underwriting expenses

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net expenses from reinsurance contracts held
- Finance income/(expenses) from insurance contracts issued
- Finance income/(expenses) from reinsurance contracts held

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Presentation and disclosures (continued)

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts and reinsurance contracts; and
- Significant judgements, and changes in those judgements, when applying the standard.

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 for the contracts issued on or after 1 January 2022 have been applied using a retrospective approach to the extent practicable. Under the retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS – 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS – 17 had always been applied.
- These included some deferred acquisition costs for insurance contracts and insurance receivables and payables.
- Under IFRS – 17, they are included in the measurement of insurance contracts;
- recognised any resulting net difference in equity

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the interim condensed financial statements at 1 January 2022 are presented in the statement of changes in equity.

For contracts issued before 1 January 2022, the Company has applied a retrospective approach as prior to transition, it grouped its contracts from multiple cohorts and years into a single unit for accounting purposes. The application of the 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 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 retrospective approach.

The Company has aggregated contracts issued more than one year apart for groups of contracts applying the retrospective approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year. Consequently, any resulting net difference is recognised in equity.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For The Three and Six Months period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Transition impact

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively. As a result, the Company has restated certain comparative amounts for the prior year.

The impact of adopting IFRS – 17 on the Company's equity as at 1 January 2022 is as follows:"

On adoption of IFRS 17, the impact of these changes is decrease in the Company's total equity of SAR 27.5m at 1 January 2022.

Impact on Equity

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on Jan 1, 2022
ECL Impact on Premium Receivables under LRFC	2,456,697
Loss Component, net of contribution deficiency reserve	(32,264,081)
Additional DAC related to Insurance Contract Liability	1,431,481
Discounting Impact on LIC	2,210,334
Risk adjustments, net	(4,141,766)
NPR Impact on Claims Reinsurance Receivables under AIC	3,236,433
Discounting Impact on AIC	(388,162)
Other Differences	104
Total Impact	(27,458,960)

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.

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through income statement (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, held-for-trading, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2022. Accordingly, the information presented for 2022 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2022 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - i. The determination of the business model within which a financial asset is held.
 - ii. The designation of certain investments in equity instruments not held for trading as FVOCI.

Details of the changes and implications resulting from the adoption of IFRS 9 are presented below.

Effect of initial application

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2022.

The Company adopted IFRS 9, the impact of these changes is an increase in the Company's total equity of SAR 32.7m at 1 January 2022. The impact on equity at 1 January 2023 and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

Adjustments due to adoption of IFRS 9	Impact on equity on transition to IFRS 17 on Jan 1, 2022
Classification of financial assets	
Fair value reserves transferred to P&L (PH & SH)	3,702,737
ECL Impairment effect on Cash & Cash Equivalent – Retained Earnings Impact	(680,662)
ECL Impairment effect on Time Deposit – Retained Earnings Impact	(1,744,628)
ECL Impairment effect on Sukuk – Retained Earnings Impact	(19,839)
ECL Impairment effect on Statutory Deposit – Retained Earnings Impact	(3,133)
Total Impact on Retained Earnings as 1/1/2022	1,254,475
Najm Valuation Impact on Fair Value Reserve Through OCI	35,109,482
Reversal of Opening through OCI	(3,702,737)
Total Impact on Equity as 1/1/2022 due to adoption of IFRS 9	32,661,220

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3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transition

S. no	Particulars	IAS 39		IFRS 9	
		Measurement category	Carrying amount	Measurement category	Carrying amount
	Financial Assets		SAR		SAR
1	Cash and cash equivalents	Amortised cost	237,886,895	Amortised cost	237,206,233
2	Time Deposits	Amortised cost	333,742,623	Amortised cost	331,997,996
3	Mutual Funds	Available for sale (AFS)	65,827,812	Fair Value through profit and loss (FVTPL) (Mandatory)	65,827,812
4	Quoted equity shares	AFS	12,702,270	Fair Value through profit and loss (FVTPL) (Mandatory)	12,702,270
5	Un-Quoted Local equity shares	AFS	1,923,078	FVTPL	1,923,078
6	Quoted Fixed Income Securities	AFS	71,226,988	Fair Value through profit and loss (FVTPL) (Mandatory)	71,226,988
7	Sukuks	Held to Maturity (HTM)	5,000,000	Amortized cost	4,980,161
8	Statutory Deposit	Amortised cost	30,000,000	Amortised cost	29,996,869
	Total financial assets		758,309,666		755,861,407

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES

The accounting policies applied by the Company in these interim condensed financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2022, except for the policies provided below.

IFRS 17 – Insurance Contracts

i) *Definition and classification*

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

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

ii) *Separating contracts from insurance and reinsurance contracts*

An insurance contract may contain one or more components that would be within the scope of another Standard if they were separate contracts. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct.

The Company carried out an assessment in order to identify whether it underwrites insurance contracts that may contain one or more components that would be within the scope of another Standard if they were separate contracts. The Company does not underwrite any insurance contracts that contain embedded derivatives.

Separation of non-insurance service components

The Company offers roadside assistance as an optional cover on its motor policies. This service relates to insurance services because it would only be required by the policyholders upon the occurrence of insured events. As a result, it is not considered distinct and hence no unbundling is required.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e., by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

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

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

- 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);
- 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
- when facts and circumstances indicate that the contract is onerous.

Reinsurance contracts

The Company distinguishes between different types of reinsurance arrangements when defining the terms 'similar risks' and 'managed together'.

Treaty reinsurance

By the nature and definition of a reinsurance program similar risks are often already grouped in reinsurance contracts. Where reinsurance treaties cover different type of risks arising from multiple underlying contracts, the lowest level of aggregation for a portfolio aligns to the reinsurance structure at a treaty level. For the definition of 'portfolio' the reinsurance program has been split to be aligned with corresponding gross insurance contract, to establish one to one mapping between gross group of contracts.

Non treaty reinsurance

This covers a single underlying insurance contract or related insurance contracts and mirrors its coverage period and contract boundary. As with the underlying individual insurance contracts they cover, such reinsurance contracts can be grouped together with other reinsurance contracts (that are managed together and cover broadly similar risks) to form groups and portfolios. These reinsurance portfolios and groups would naturally align with the portfolios and groups of the underlying gross contracts.

Groups of reinsurance contracts held should not contain reinsurance contracts issued more than one year apart.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

The reinsurance contracts held within a portfolio to be allocated into a minimum of three groups of contracts:

- a group of contracts on which there is a net gain at initial recognition, if any;
- a group of contracts on which at initial recognition there is no significant possibility of a net gain arising subsequently, if any; and
- a group of remaining contracts in the portfolio, if any.

Insurance acquisition cashflows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g., non-refundable commissions paid on issuance of a contract), then they are allocated to that group and to the cohort.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Contract boundaries

Insurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risk of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflect the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after assessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Measurement

The Company applies PAA to all its insurance contracts issued and reinsurance contracts held (RCH) to simplify the measurement of insurance contracts issued and RCH. The coverage period of most of the contracts issued and RCH by the Company is one year or less and hence are automatically eligible for the simplified measurement model. For contracts with a coverage period of more than a year, the Company has performed the PAA eligibility assessment based on which it reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the General Measurement Model (GMM).

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company has disaggregated the change in risk adjustment for non – financial risk between the insurance service result and insurance finance income or expense.

The Company establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported (“IBNR”) and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Company discounts its liability for incurred claims using a bottom – up approach. The Company has used risk free EIOPA USD rates and have adjusted the same for volatility and country risk premium.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

Insurance acquisition costs and directly attributable expenses

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

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

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

Other operating expenses

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

Insurance revenue

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

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

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

Insurance service expenses

Insurance service expense includes the following:

- a) incurred claims for the period.
- b) other incurred directly attributable expenses.
- c) insurance acquisition cash flows amortization.
- d) changes that relate to past service – changes in the FCF relating to the LIC.
- e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contracts

The Company assumes that some contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the interim condensed consolidated statement of income in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

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. However, the Company had met the relevant criteria and applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company has applied IFRS 9 for the first time on 1 January 2023.

i) Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through statement of income (“FVSI”). On initial recognition, a financial asset is either classified as measured at amortised cost, FVOCI or FVSI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI."

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVSI:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Company considers all contractual terms, including

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

i) Classification (continued)

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified measured at FVSI.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Profit income from these financial assets is included in 'Interest income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'interest income' using the effective profit rate method.
- Fair value through statement of income (FVSI): Financial assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVSI. A gain or loss on a debt instrument that is subsequently measured at FVSI is presented in the statement of income in the period in which it arises. As at 31 March 2023, the Company have all debt instruments classified under this category.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

i) Classification (continued)

Equity instruments

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

The Company classifies all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

As at 31 March 2023, all the equity investments of the Company are classified at FVSI, except for Najm, which is classified as FVOCI.

ii) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortized cost, and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognizes a loss allowance for such losses at each reporting date. The loss allowance is based on the Expected Credit Losses ("ECLs") associated with the Probability of Default ("PD") in the next twelve months unless there has been a Significant Increase in Credit Risk ("SICR") since origination. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial assets, for which 12-month ECLs are recognized, are referred to as "Stage 1" financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as "Stage 2" financial instruments. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, INCLUDING KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

ii) Impairment (continued)

Financial assets for which the lifetime ECLs are recognized and that are credit-impaired are referred to as “Stage 3” financial instruments.

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

Estimates and judgments are continuously being evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting judgments and estimates applied by the Company in these interim condensed financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2022.

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5 INSURANCE AND REINSURANCE CONTRACTS

5.1 Analysis by remaining coverage and incurred claims for insurance contracts

As at 30 June 2023 (unaudited)					
Liability for remaining coverage (LRC)			Liability for incurred claims (LIC)		Total
Excluding loss component	Loss component		Estimate of present value of cash flows	RA for non-financial risk	
Insurance contracts issued:					
Opening Insurance Contract Liabilities	73,415,221	43,628,954	155,725,385	4,751,269	277,520,829
Insurance revenue	168,920,359	-	-	-	168,920,359
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	148,291,041	1,926,366	150,217,407
Losses on onerous contracts and reversal of those losses	-	(19,632,948)	-	-	(19,632,948)
Changes that relate to past service - adjustments to the LIC	-	-	(5,794,313)	(2,424,215)	(8,218,528)
Insurance acquisition cash flows amortization	30,140,661	-	-	-	30,140,661
Other methodology diff	-	-	1,383,821	-	1,383,821
Insurance service expenses	30,140,661	(19,632,948)	143,880,549	(497,849)	153,890,413
Insurance service result before reinsurance contracts held	138,779,698	19,632,948	(143,880,549)	497,849	15,029,946
Net finance expense from insurance contracts	-	-	(780,165)	-	(780,165)
Cash flows					
Premiums received	213,697,525	-	-	-	213,697,525
Claims and other directly attributable expenses paid	-	-	(148,697,458)	-	(148,697,458)
Insurance acquisition cash flows paid	(31,704,782)	-	-	-	(31,704,782)
Total cash flows	181,992,743	-	(148,697,458)	-	33,295,285
Closing Net insurance contract liabilities	116,628,266	23,996,006	151,688,641	4,253,420	296,566,333

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5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

As at 31 December 2022 (unaudited)					
Liability for remaining coverage (LRC)			Liability for incurred claims (LIC)		
Excluding loss component		Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening Insurance Contract Liabilities	149,199,500	58,576,871	141,375,925	4,583,803	353,736,099
Insurance revenue	417,020,295	-	-	-	417,020,295
Insurance service expenses					
Incurred claims and other directly attributable expenses		-	453,346,791	3,646,263	456,993,054
Losses on onerous contracts and reversal of those losses	-	(14,947,917)	-	-	(14,947,917)
Changes that relate to past service - adjustments to the LIC	-	-	(69,413,659)	(3,478,797)	(72,892,456)
Insurance acquisition cash flows amortization	73,664,917	-	-	-	73,664,917
Insurance service expenses	73,664,917	(14,947,917)	383,933,132	167,466	442,817,598
Insurance service result	343,355,378	14,947,917	(383,933,132)	(167,466)	(25,797,303)
Net finance expense from insurance contracts	-	-	4,869,421	-	4,869,421
Cash flows					
Premiums received	338,301,713	-	-	-	338,301,713
Claims and other directly attributable expenses paid	-	-	(364,714,252)	-	(364,714,252)
Insurance acquisition cash flows paid	(70,730,613)	-	-	-	(70,730,613)
Total cash flows	267,571,100	-	(364,714,252)	-	(97,143,152)
Closing Net insurance contract liabilities	73,415,222	43,628,954	155,725,384	4,751,269	277,520,829

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5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

5.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

As at 30 June 2023 (unaudited)					
Asset for remaining coverage (ARC)			Asset for incurred claims (AIC)		Total
Excluding loss component		Loss recovery component	Estimate of present value of cash flows	RA for non- financial risk	
Reinsurance contracts held:					
Opening Reinsurance Contract Assets	(4,084,646)	-	32,804,001	483,101	29,202,456
Opening Reinsurance Contract Liabilities	-	-	-	-	-
Net opening balance	(4,084,646)	-	32,804,001	483,101	29,202,456
Amounts Allocated to Reinsurance	(14,594,021)				(14,594,021)
Reinsurance expense					
Claims recovered and other directly attributable expenses	-	-	5,891,348	108,392	5,999,740
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	(4,308,333)	(40,827)	(4,349,160)
Losses and reversals of losses on onerous contracts	-	-	(930,749)	-	(930,749)
Net expense from reinsurance contracts held	(14,594,021)	-	652,266	67,565	(13,874,190)
Finance expense from insurance contracts	-	-	(106,965)	-	(106,965)
Cash flows					
Premiums paid	(11,872,016)	-	-	-	(11,872,016)
Recoveries from reinsurance	1,325,579	-	(852,920)	-	472,659
Total cash flows	(10,546,437)	-	(852,920)	-	(11,399,357)
Net closing balance	(8,132,230)	-	34,202,222	550,666	26,620,658

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5 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

5.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

As at 31 December 2022 (unaudited)					
Asset for remaining coverage (ARC)			Asset for incurred claims (AIC)		Total
Excluding loss component		Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	
Reinsurance contracts held:					
Opening Reinsurance Contract Assets	368,454	-	27,014,238	442,037	27,824,729
Opening Reinsurance Contract Liabilities	-	-	-	-	-
Net opening balance	368,454	-	27,014,238	442,037	27,824,729
Amounts Allocated to Reinsurance					
	(40,033,569)				(40,033,569)
Reinsurance expense					
Claims recovered and other directly attributable expenses	-	-	16,487,269	401,235	16,888,504
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	(7,750,181)	(360,170)	(8,110,351)
Losses and reversals of losses on onerous contracts	-	-	456,512	-	456,512
Net finance income from reinsurance contracts	(40,033,569)	-	9,193,600	41,065	(30,798,904)
Finance expense from insurance contracts	-	-	(325,251)	-	(325,251)
Total changes in the statement of income and OCI	(40,033,569)	-	8,868,349	41,065	(31,124,155)
Cash flows					
Premiums paid	40,330,266	-	(2,410,739)	-	37,919,527
Recoveries from reinsurance	(4,749,798)	-	(667,847)	-	(5,417,645)
Total cash inflows / (outflows)	35,580,468	-	(3,078,586)	-	32,501,882
Closing reinsurance contract assets	(4,084,647)	-	32,804,001	483,102	29,202,456
Closing reinsurance contract liabilities	-	-	-	-	-
Net closing balance	(4,084,647)	-	32,804,001	483,102	29,202,456

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6 CASH AND BANK BALANCES

Bank balances and cash comprise the following:

	(Unaudited)	
	31 December	1 January
30 June 2023	2022	2022
Bank balances and cash – Insurance operations	239,934,852	199,115,005
Bank balances and cash – Shareholders' operations	78,947,687	55,795,047
Cash and cash equivalents in statement of cashflows	318,882,539	254,910,052
Less: Impairment allowance	(407,501)	(341,611)
	318,475,038	237,886,895
	254,568,441	237,206,233

7 TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 6.79% per annum (2022: 5.65% per annum).

	(Unaudited)	
	31 December	1 January
30 June 2023	2022	2022
Term deposits	140,000,000	185,000,000
Less: Impairment allowance	(10,606)	(36,345)
	139,989,394	333,742,623
	184,963,655	(1,744,628)
	331,997,995	

8 INVESTMENTS

Investments are classified as follows:

	(Unaudited)	
	31 December	31 December
30 June 2023	2022	2021
Investments in Quoted fixed income securities through FVTPL	63,706,579	65,459,680
Investments in Unquoted Equity carried at Fair value through OCI	39,703,127	39,703,127
Investments in associate	1,130,782	1,134,571
Investments in Equity carried through FVTPL - Available for sale	13,845,635	12,528,405
Investments in Funds carried through FVTPL- Available for sale	84,397,857	68,791,116
Total investments	202,783,980	187,616,899
Less: Impairment allowance	-	-
	202,783,980	187,616,899
	192,367,751	192,367,751

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8 INVESTMENTS (CONTINUED)

Movement in investments are as follows:

	(Unaudited)	
	31 December	31 December
	2022	2021
30 June 2023		
Opening balance	186,482,328	191,769,952
Purchases	14,592,207	73,392,418
Disposals	(1,879,818)	(74,006,921)
Impairment	-	(1,031,278)
	199,194,717	145,612,149
Changes in fair value FVTPL	2,258,120	(5,819,770)
Change in fair value FVTOCI	-	2,690,406
Foreign currency translation adjustments	200,363	(532,318)
Movement in allowance for expected credit losses	-	19,839
Closing balance	201,653,200	191,769,791

Movement in investments in associate is as follows:

	31 March	31 December	31 December
	2023	2022	2021
Balance, January 1	1,134,571	597,960	700,618
Share of profit/(loss)	(3,789)	536,611	(102,658)
Balance, Closing	1,130,782	1,134,571	597,960

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

a) 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.

30 June 2023 (unaudited)	Carrying Value	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
- Equities	53,548,762	13,845,635	-	39,703,127
- Fixed income securities	63,706,580	63,706,580	-	-
- Units in investment and real estate funds	84,397,858	-	84,397,858	-
	201,653,200	77,552,215	84,397,858	39,703,127

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10 OPERATING SEGMENTS

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

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

Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December, 2022.

Segment assets do not include (in respect of insurance operations) property and equipment, term deposits, investments, due from shareholders' operations, bank balances and cash, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, Reinsurers balances payable, accrued expenses and other liabilities, due to related parties, zakat and income tax, accrued commission income payable to SAMA and due from insurance operations. Accordingly, these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis. 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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10 OPERATING SEGMENTS

As at June 30, 2023	Motor	Health	Property & Casualty	Total
ASSETS				
Insurance contract assets	42,669,484	6,970,437	10,324,521	59,964,442
Reinsurance contract assets	2,375,811	2,302,393	35,463,962	40,142,166
Total Segment assets	45,045,295	9,272,830	45,788,483	100,106,608
Unallocated assets				759,055,790
Total Assets				859,162,398
LIABILITIES				
Insurance contract Liabilities	269,958,353	47,569,326	39,003,096	356,530,775
Reinsurance contract Liabilities	267	1	13,521,240	13,521,508
Total Segment liabilities	269,958,620	47,569,327	52,524,336	370,052,283
Unallocated Liabilities				55,976,863
Total Liabilities				426,029,146
As at December 31, 2022	Motor	Health	Property & Casualty	Total
ASSETS				
Insurance contract assets	-	-	-	-
Reinsurance contract assets	2,650,666	4,098,058	22,453,732	29,202,456
Total Segment assets	2,650,666	4,098,058	22,453,732	29,202,456
Unallocated assets				719,209,114
Total Assets				748,411,570
LIABILITIES				
Insurance contract Liabilities	204,174,311	50,404,185	22,942,333	277,520,829
Reinsurance contract Liabilities	-	-	-	-
Total Segment liabilities	204,174,311	50,404,185	22,942,333	277,520,829
Unallocated Liabilities				50,617,335
Total Liabilities				328,138,164
As at December 31, 2021	Motor	Health	Property & Casualty	Total
ASSETS				
Insurance contract assets	-	-	-	-
Reinsurance contract assets	5,750,626	1,248,401	20,825,702	27,824,729
Total Segment assets	5,750,626	1,248,401	20,825,702	27,824,729
Unallocated assets				832,532,928
Total Assets				860,357,657
LIABILITIES				
Insurance contract Liabilities	233,161,229	94,376,676	26,198,194	353,736,099
Reinsurance contract Liabilities	-	-	-	-
Total Segment liabilities	233,161,229	94,376,676	26,198,194	353,736,099
Unallocated Liabilities				63,751,683
Total Liabilities				417,487,782

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10 OPERATING SEGMENTS (CONTINUED)

Three months ended June 2023	Motor	Health	Property & Casualty	Total Insurance Operations
Insurance revenue	61,215,266	18,201,910	7,798,924	87,216,100
Insurance service expense	(44,556,149)	(7,739,902)	(4,035,592)	(56,331,643)
Net expenses from reinsurance contracts held	(1,434,662)	(602,534)	(6,228,987)	(8,266,183)
Insurance service result	15,224,455	9,859,474	(2,465,655)	22,618,274
Finance income/(expenses) from insurance contracts issued	583,674	87,507	333,322	1,004,503
Finance income/(expenses) from reinsurance contracts held	6,394	(5,469)	(69,972)	(69,047)
Net insurance finance income/(expenses)	590,068	82,038	263,350	935,456
Fair value change on FVTPL investments	-	-	-	2,132,378
Interest revenue from financial assets measured at FVTPL	-	-	-	688,457
Interest Revenue from financial assets measured at amortised Cost	-	-	-	4,527,216
Dividend from financial assets measured at FVTPL	-	-	-	1,005,515
Net (impairment) reversal on financial assets	-	-	-	(98,256)
Other investment income/(loss)	-	-	-	179,527
Net investment results	-	-	-	8,434,837
Net insurance and investment results				31,988,567
Other operating expenses				(3,780,944)
Other income				4,872,899
Income attributed to the shareholders before zakat and income tax				33,080,522
Provision for zakat & tax				(2,483,300)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX				30,597,222

Three months ended June 2022	Motor	Health	Property & Casualty	Total Insurance Operations
Insurance revenue	58,961,010	26,659,840	17,215,651	102,836,501
Insurance service expense	(72,135,084)	(24,890,918)	(17,903,755)	(114,929,757)
Net expenses from reinsurance contracts held	(3,138,514)	1,865,823	(771,047)	(2,043,738)
Insurance service result	(16,312,588)	3,634,745	(1,459,151)	(14,136,994)
Finance income/(expenses) from insurance contracts issued	(2,164,603)	(725,650)	(1,284,917)	(4,175,170)
Finance income/(expenses) from reinsurance contracts held	129,469	81,855	188,575	399,899
Net insurance finance income/(expenses)	(2,035,134)	(643,795)	(1,096,342)	(3,775,271)
Fair value change on FVTPL investments	-	-	-	(3,895,939)
Interest revenue from financial assets measured at FVTPL	-	-	-	846,021
Interest Revenue from financial assets measured at amortised Cost	-	-	-	4,381,953
Dividend from financial assets measured at FVTPL	-	-	-	708,942
Net (impairment) reversal on financial assets	-	-	-	718,852
Other investment income/(loss)	-	-	-	70,826
Net investment results				2,830,655
Net insurance and investment results				(15,081,610)
Other operating expenses				(2,745,076)
Other income				3,104,362
Loss attributed to the shareholders before zakat and income tax				(14,722,324)
Provision for zakat & tax				(1,960,260)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX				(16,682,584)

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10 OPERATING SEGMENTS (CONTINUED)

Six months ended June 2023	Motor	Health	Property & Casualty	Total Insurance Operations
Insurance revenue	115,176,086	34,920,486	18,823,787	168,920,359
Insurance service expense	(119,344,089)	(22,156,283)	(12,390,041)	(153,890,413)
Net expenses from reinsurance contracts held	(2,257,033)	(2,612,093)	(9,005,062)	(13,874,188)
Insurance service result	(6,425,036)	10,152,110	(2,571,316)	1,155,758
Finance income/(expenses) from insurance contracts issued	(540,265)	(218,595)	(21,305)	(780,165)
Finance income/(expenses) from reinsurance contracts held	35,977	32,864	(175,806)	(106,965)
Net insurance finance income/(expenses)	(504,288)	(185,731)	(197,111)	(887,130)
Fair value change on FVTPL investments	-	-	-	2,258,120
Interest revenue from financial assets measured at FVTPL	-	-	-	1,577,864
Interest Revenue from financial assets measured at amortised Cost	-	-	-	6,710,322
Dividend from financial assets measured at FVTPL	-	-	-	1,716,579
Net (impairment) reversal on financial assets	-	-	-	(43,594)
Other investment income/(loss)	-	-	-	(3,789)
Net investment results	-	-	-	12,215,502
Net insurance and investment results				12,484,130
Other operating expenses				(6,434,357)
Other income				11,593,010
Income attributed to the shareholders before zakat and income tax				17,642,783
Provision for zakat & tax				(4,983,300)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX				12,659,483

Six months ended June 2022	Motor	Health	Property & Casualty	Total Insurance Operations
Insurance revenue	117,087,015	53,119,012	19,473,657	189,679,684
Insurance service expense	(151,253,933)	(71,173,280)	(17,948,687)	(240,375,900)
Net expenses from reinsurance contracts held	(3,921,474)	1,167,033	(7,427,245)	(10,181,686)
Insurance service result	(38,088,392)	(16,887,235)	(5,902,275)	(60,877,902)
Finance income/(expenses) from insurance contracts issued	(1,406,954)	(408,716)	(1,142,145)	(2,957,815)
Finance income/(expenses) from reinsurance contracts held	96,066	64,702	157,818	318,586
Net insurance finance income/(expenses)	(1,310,888)	(344,014)	(984,327)	(2,639,229)
Fair value change on FVTPL investments	-	-	-	(2,607,477)
Interest revenue from financial assets measured at FVTPL	-	-	-	1,884,126
Interest Revenue from financial assets measured at amortised Cost	-	-	-	8,270,873
Dividend from financial assets measured at FVTPL	-	-	-	1,274,529
Net (impairment) reversal on financial assets	-	-	-	1,921,249
Other investment income/(loss)	-	-	-	215,856
Net investment results				10,959,156
Net insurance and investment results				(52,557,975)
Other operating expenses				(6,303,502)
Other income				4,616,068
Loss attributed to the shareholders before zakat and income tax				(54,245,409)
Provision for zakat & tax				(4,638,279)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX				(58,883,688)

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10 OPERATING SEGMENTS (CONTINUED)

For the three-months period ended 30 June 2023 - unaudited	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
<u>Gross Written Premiums</u>				
Individuals	45,704,958	5,546,146	115,036	51,366,140
Very small enterprises	2,800,643	22,399,304	175,913	25,375,860
Small enterprises	3,089,086	590,610	890,227	4,569,923
Medium sized enterprises	8,046,753	-	2,073,670	10,120,423
Large enterprises	11,546,115	-	2,824,600	14,370,715
Total gross written premiums	71,187,555	28,536,060	6,079,446	105,803,061

For the three-month period ended 30 June 2022	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
<u>Gross Written Premiums</u>				
Individuals	40,576,927	-	2,884	40,579,811
Very small enterprises	1,272,193	21,721,570	320,839	23,314,602
Small enterprises	1,176,665	232,601	608,536	2,017,802
Medium sized enterprises	1,757,977	2,042	12,285,714	14,045,733
Large enterprises	9,073,121	7,978	5,921,426	15,002,525
Total gross written premiums	53,856,883	21,964,191	19,139,399	94,960,473

For the three-months period ended 30 June 2023 (Unaudited)	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
Gross written premiums	71,187,555	28,536,060	6,079,446	105,803,061
Reinsurance premiums ceded				
- Foreign	(778,373)	(1,611,832)	(3,962,549)	(6,352,754)
- Local	(194,593)	(402,959)	(734,637)	(1,332,189)
Net premiums written	70,214,589	26,521,269	1,382,260	98,118,118

For the three-month period ended 30 June 2022 (Unaudited)	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
Gross written premiums	53,856,883	21,964,191	19,139,399	94,960,473
Reinsurance premiums ceded				
- Foreign	(635,078)	(270,839)	(12,782,929)	(13,688,846)
- Local	(158,770)	(67,710)	(1,563,435)	(1,789,915)
Net premiums written	53,063,035	21,625,642	4,793,035	79,481,712

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10 OPERATING SEGMENTS (CONTINUED)

For the six months period ended 30 June 2023 - unaudited	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
<u>Gross Written Premiums</u>				
Individuals	121,601,287	19,849,881	222,990	141,674,158
Very small enterprises	5,166,786	36,369,577	466,958	42,003,321
Small enterprises	8,356,130	1,154,206	1,888,926	11,399,262
Medium sized enterprises	12,772,217	-	3,497,372	16,269,589
Large enterprises	26,816,267	577	7,732,428	34,549,272
Total gross written premiums	174,712,687	57,374,241	13,808,674	245,895,602

For the six-months period ended 30 June 2022	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
<u>Gross Written Premiums</u>				
Individuals	119,081,842	79,131	2,884	119,163,857
Very small enterprises	1,865,381	51,627,095	558,901	54,051,377
Small enterprises	5,478,061	349,030	1,707,123	7,534,214
Medium sized enterprises	4,300,710	2,042	13,776,887	18,079,639
Large enterprises	31,499,870	22,230	9,788,575	41,310,675
Total gross written premiums	162,225,864	52,079,528	25,834,370	240,139,762

For the six months period ended 30 June 2023 - unaudited	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
Gross written premiums	174,712,687	57,374,241	13,808,674	245,895,602
Reinsurance premiums ceded				
- Foreign	(1,556,746)	(1,925,257)	(8,899,129)	(12,381,132)
- Local	(389,186)	(481,316)	(1,505,320)	(2,375,822)
Net premiums written	172,766,755	54,967,668	3,404,225	231,138,648

For the six-months period ended 30 June 2022 (Unaudited)	Motor SAR	Medical SAR	Property & Casualty SAR	Total SAR
Gross written premiums	162,225,864	52,079,528	25,834,370	240,139,762
Reinsurance premiums ceded				
- Foreign	(1,270,156)	(541,679)	(17,609,620)	(19,421,455)
- Local	(317,539)	(135,420)	(2,454,499)	(2,907,458)
Net premiums written	160,638,169	51,402,429	5,770,251	217,810,849

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11 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings per share for the six months period ended 30 June 2023 and 30 June 2022 have been calculated by dividing the net (loss)/ income for the period attributable to shareholders' by the weighted average number of ordinary shares issued and outstanding shares (30 million shares) at the period end.

12 RELATED PARTY TRANSACTIONS AND BALANCES

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

		Transactions for the period ended		Balance as at	
		30 June 2023 (Unaudited) SAR	30 June 2022 (Unaudited) SAR	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Related party	Nature of transactions				
Major Shareholders	Insurance premium written	3,974,012	13,153,877	8,101,572	9,259,420
	Claims paid	(1,408,936)	(559,328)	-	-
	Reinsurance premium ceded	(108,148)	(221,009)	(1,430,195)	(1,330,678)
Board of Directors and committees' members	Remuneration fees, allowances and other expense	(1,110,000)	(921,131)	(1,526,324)	(1,757,690)
	Insurance premium written	13,111,232	10,468,883	12,242,379	5,527,970
	Claims paid	(6,907,529)	(4,325,005)	-	-
	Insurance brokerage contracts	(1,856,244)	(3,139,707)	(2,696,541)	(2,219,320)
Associate	General and administrative expenses	-	-	-	-

Balances in respect of the above transactions with related parties are included in the relevant accounts in the interim condensed statements of financial position and statement of income.

Compensation of key management personnel

Key management personnel of the Company include three top executives including the General Manager. The summary of compensation of key management personnel for the period is as follows:

	30 June 2023 (Unaudited) SAR	30 June 2022 (Unaudited) SAR
Short term benefits	1,595,880	2,140,040
End of service benefits	66,408	86,679
	1,662,288	2,226,719

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13 ZAKAT AND INCOME TAX

Status of assessments

Status of assessments

The Company has filed zakat returns with the General Authority of Zakat and Tax ("ZATCA") for the years from 2010 to 2022.

On review of the zakat return by ZATCA for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. During 2014, ZATCA revised its assessment of the zakat return for the long period ended 31 December 2010 after taking into consideration the effect of portfolio transfer and raised an additional demand of SAR 64,738. The Company paid this demand. The final assessment has not yet been carried out by the ZATCA.

On review of the zakat return by the ZATCA for the year 2011, a demand of SAR 2,378,604 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. On February 2019 ZATCA revised its assessment of the zakat return to SAR 2,053,604 after taken into consideration the deduction of statutory deposit based on the decision of the Appeal Committee.

On review of the zakat return by the ZATCA for the year 2012, a demand of SAR 1,979,521 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. The final assessments have been carried out by the ZATCA,

ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC

On review of the zakat return by the ZATCA for the years 2013 and 2014 a demand of SAR 2,885,577 and SAR 2,885,577 respectively as initial assessments, have been raised by the ZATCA. However, the Company has filed appeals with the ZATCA. As the final assessments for 2013 and 2014 have been issued (in 2020) the 2013/2014 initial assessments have been cancelled automatically.

In 2020 the company received VAT assessments from ZATCA for the FY 2018 and 2019 amounted 3,924,845 VAT plus [1],089,003 VAT delay penalties. Company objected against the assessment and still in procedure. Company paid the VAT assessment and cancelled the penalties as per ZATCA initiatives and continue with the objection. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

In 2020, 2021 the company received zakat and WHT assessments from ZATCA for the FY 2014 to 2020, Company objected against the assessment and still in procedure. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

The summary for the appeals in GSTC:

- From 2014 to 2018 zakat and withholding tax appeal
- For year 2012 zakat appeal
- From February to December 2018 VAT appeal
- From January to December 2019 VAT appeal
- From 2019 to 2020 zakat appeal.

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13 ZAKAT AND INCOME TAX (CONTINUED)

	30 June 2023	Year ended 31 December 2022	Year ended 31 December 2021
Opening zakat, income tax liability and deferred tax asset	26,560,287	32,841,217	30,147,838
Current charge for zakat tax for the period / year	4,983,300	9,672,767	11,456,333
Reversal for Zakat tax charge for prior year	-	(3,022,493)	-
Deferred tax (income) expense for the period /year	-	(1,512,543)	-
Settled during the period / year	(11,235,997)	(11,418,661)	(8,762,954)
Closing zakat, income tax liability and deferred tax asset	20,307,590	26,560,287	32,841,217

14 SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company is SAR 300 million divided into 30 million shares of SAR 10 each (31 December 2022: SAR 300 million divided into 30 million shares of SAR 10 each).

The shareholders of the Company are subject 100% to Zakat.

15 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

16 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital of the Company which is maintained with local bank designated by SAMA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Accrued interest on the statutory deposit amounting to SR 2,912,412 (31 December 2022: SR 2,582,066) has been presented in the statement of financial position.

	(Unaudited)		
	30 June 2023	31 December 2022	1 January 2022
Term deposits	30,000,000	30,000,000	30,000,000
Less: Impairment allowance	(4,626)	(1,183)	(3,133)
	29,995,374	29,998,817	29,996,867

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17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the board on 19 Muharram 1445H, corresponding to 6th August 2023.