

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

**INTERIM CONDENSED FINANCIAL INFORMATION AND
INDEPENDENT AUDITORS' REVIEW REPORT
(UNAUDITED)**
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2023

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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Report on review of interim condensed financial information

To the shareholders of Salama Cooperative Insurance Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Salama Cooperative Insurance Company (the "Company") as of 30 September 2023 and the related condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2023 and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 to the accompanying interim condensed financial information which indicates that the Company had accumulated losses of Saudi Riyals 33.8 million as of 30 September 2023. Further, the Company's solvency margin is (29.52%) as of 30 September 2023, which is below the minimum solvency requirements as mandated by the Saudi Central Bank ("SAMA"). The ability of the Company to improve its financial performance and meet the minimum solvency margin requirements is dependent on the favourable outcome and realisation of the Company's planned measures and actions detailed further in Note 1 including successful completion of the rights issue by increasing the Company's capital from Saudi Riyals 100 million to Saudi Riyals 200 million. These events and conditions, along with other matters as set forth in Note 1 to the accompanying interim condensed financial information, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

For PricewaterhouseCoopers

Mufaddal A. Ali
Certified Public Accountant
License No. 447

For Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

Jeddah: 9 November 2023
Corresponding to: 25 Rabi-ul-Thani 1445H

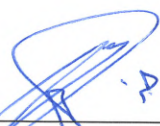


SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

| | | 30 September 2023 (Unaudited) | 31 December 2022 (Restated – Notes 3 and 4) (Unaudited) | 1 January 2022 (Restated – Notes 3 and 4) (Unaudited) |
|--|-------------|-------------------------------------|---|---|
| ASSETS | Note | | | |
| Cash and cash equivalents | 5 | 332,885 | 134,765 | 124,016 |
| Term deposits | 6 | 27,199 | 239,043 | 96,825 |
| Investments: | | | | |
| Financial assets at fair value through profit or loss ("FVTPL") | 7 | 41,799 | 20,755 | 101,380 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | 7 | 39,703 | 39,703 | 37,028 |
| Financial assets at amortised cost | 7 | 59,992 | 61,464 | 65,766 |
| Prepaid expenses and other assets | 8 | 34,144 | 30,009 | 18,360 |
| Reinsurance contract assets | 13 | 68,220 | 75,029 | 63,348 |
| Right-of-use assets | | 19,072 | 17,454 | 18,231 |
| Property and equipment | | 4,954 | 5,154 | 4,107 |
| Intangible assets | | 952 | 1,021 | 418 |
| Statutory deposit | 20 | 37,500 | 37,500 | 37,500 |
| Accrued commission income on statutory deposit | 20 | 1,833 | 4,913 | 3,887 |
| TOTAL ASSETS | | 668,253 | 666,810 | 570,866 |
| LIABILITIES | | | | |
| Insurance contract liabilities | 13 | 465,447 | 524,418 | 389,729 |
| Reinsurance contract liabilities | 13 | 297 | - | - |
| Accrued and other liabilities | 9 | 37,807 | 20,785 | 23,950 |
| Lease liabilities | | 20,204 | 18,493 | 20,335 |
| Employee benefit obligations | | 6,397 | 6,716 | 7,895 |
| Provision for zakat | 15 | 32,442 | 30,629 | 27,629 |
| Accrued income payable to SAMA | 20 | 1,833 | 4,913 | 3,887 |
| TOTAL LIABILITIES | | 564,427 | 605,954 | 473,425 |
| EQUITY | | | | |
| Share capital | 18 | 100,000 | 100,000 | 250,000 |
| Statutory reserve | | - | - | 5,003 |
| Accumulated losses | | (33,813) | (76,783) | (192,920) |
| Fair value reserve for investments | | 37,780 | 37,780 | 35,110 |
| Remeasurement reserve of employees benefit obligations | | (141) | (141) | 248 |
| TOTAL EQUITY | | 103,826 | 60,856 | 97,441 |
| TOTAL LIABILITIES AND EQUITY | | 668,253 | 666,810 | 570,866 |



Chief Financial Officer



Chief Executive Officer




Chairman

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

| | | Three-month period ended September 30, 2023 (Unaudited) | Three-month period ended September 30, 2022 (Restated -Note 3 and 4) (Unaudited) | Nine-month period ended September 30, 2023 (Unaudited) | Nine-month period ended September 30, 2022 (Restated -Note 3 and 4) (Unaudited) |
|---|--------------|--|---|---|--|
| | Notes | | | | |
| Insurance revenue from contracts | 16 | 191,384 | 155,619 | 596,200 | 409,678 |
| Insurance service expenses | 16 | (161,787) | (158,075) | (530,838) | (507,199) |
| Net (expense) / income from reinsurance contracts | 16 | (14,914) | (12,856) | (27,928) | 7,607 |
| Insurance service result | | 14,683 | (15,312) | 37,434 | (89,914) |
| Commission income from financial assets not measured at FVTPL | | 4,605 | 3,042 | 14,742 | 8,581 |
| Net income on financial assets measured at FVTPL | | 1,918 | (355) | 2,194 | 5,627 |
| Net investment income | | 6,523 | 2,687 | 16,936 | 14,208 |
| Finance (costs) / income from insurance contracts issued | | (211) | (147) | (2,175) | 1,077 |
| Finance income / (costs) from reinsurance contracts held | | 70 | (89) | 619 | (552) |
| Net insurance finance (costs) / income | | (141) | (236) | (1,556) | 525 |
| Net insurance and investment result | | 21,065 | (12,861) | 52,814 | (75,181) |
| Other income | 17 | 814 | 7,294 | 11,338 | 8,898 |
| Other operating expenses | | (8,291) | (620) | (18,077) | (14,641) |
| Net reversal of impairment losses / (impairment losses) on financial assets | | 82 | (4) | (105) | 323 |
| Profit / (loss) for the period before zakat | | 13,670 | (6,191) | 45,970 | (80,601) |
| Zakat expense | 15 | (1,000) | - | (3,000) | (3,000) |
| Net profit / (loss) for the period attributable to the shareholders | | 12,670 | (6,191) | 42,970 | (83,601) |
| Weighted average number of ordinary shares outstanding (thousand shares) | | 10,000 | 10,000 | 10,000 | 10,000 |
| Basic and diluted earnings / (losses) per share | 24 | 1.27 | (0.62) | 4.30 | (8.36) |


Chief Financial Officer





Chief Executive Officer


Board Member

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Three-month period ended September 30, 2023 (Unaudited) | Three-month period ended September 30, 2022 (Restated – Note 3 and 4) (Unaudited) | Nine-month period ended September 30, 2023 (Unaudited) | Nine-month period ended September 30, 2022 (Restated – Note 3 and 4) (Unaudited) |
|---|--|---|---|--|
| Net profit / (loss) for the period attributable to the shareholders | 12,670 | (6,191) | 42,970 | (83,601) |
| Items that will not be reclassified to the interim condensed statement of income in subsequent periods | | | | |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income / (loss) for the period attributable to the shareholders | 12,670 | (6,191) | 42,970 | (83,601) |

| | | |
|--|--|---|
|  |  |  |
| Chief Financial Officer | Chief Executive Officer | Board Member |

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

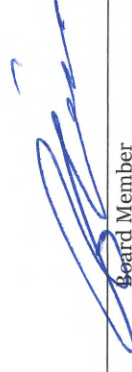
| | Notes | Share capital | Statutory reserve | Accumulated losses | Fair value reserve for investments | Re-measurement reserve of employees benefit obligations | Total |
|--|-------|---------------|-------------------|--------------------|------------------------------------|---|----------|
| Balance at 31 December 2022 (Audited) | | 100,000 | - | (62,091) | - | (141) | 37,768 |
| Adjustment on adoption of IFRS 17 | 4 | - | - | - | - | - | - |
| Adjustment on adoption of IFRS 9 | 4 | - | - | (14,651) | - | - | (14,651) |
| Balance at 1 January 2023 (Restated – Notes 3 and 4) – (Unaudited) | | 100,000 | - | (76,783) | 37,780 | (141) | 60,856 |
| Total comprehensive income for the period: | | | | | | | |
| Net profit for the period attributable to the shareholders | | - | - | 42,970 | - | - | 42,970 |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive income for the period attributable to the shareholders | | - | - | 42,970 | - | - | 42,970 |
| Balance at 30 September 2023 (Unaudited) | | 100,000 | - | (33,813) | 37,780 | (141) | 103,826 |



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

| | Notes | Share capital | Statutory reserve | Accumulated losses | Fair value reserve for investments | Re-measurement reserve for employees benefit obligations | Total |
|--|-------|---------------|-------------------|--------------------|------------------------------------|--|----------|
| Balance at 31 December 2021 (Audited) | | | | | | | |
| Adjustment on adoption of IFRS 17 | 4 | 250,000 | 5,003 | (158,767) | - | 248 | 96,484 |
| Adjustment on adoption of IFRS 9 | 4 | - | - | (33,795) | - | - | (33,795) |
| | | - | - | (358) | 35,110 | - | 34,752 |
| Balance at 1 January 2022 (Restated – Notes 3 and 4) – (Unaudited) | | 250,000 | 5,003 | (192,920) | 35,110 | 248 | 97,441 |
| Transfer of statutory reserve (Note 18) | | - | (5,003) | 5,003 | - | - | - |
| Reduction in share capital (Note 18) | | (150,000) | - | 150,000 | - | - | - |
| Total comprehensive loss for the period: | | | | | | | |
| Net loss for the period attributable to the shareholders | | - | - | (83,601) | - | - | (83,601) |
| Other comprehensive income | | - | - | - | - | - | - |
| Total comprehensive loss for the period attributable to shareholders | | - | - | (83,601) | - | - | (83,601) |
| Balance at 30 September 2022 (Restated – Notes 3 and 4) – (Unaudited) | | 100,000 | - | (121,518) | 35,110 | 248 | 13,840 |



Chief Financial Officer



Chief Executive Officer



Board Member

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

| | | Nine-month period ended 30 September 2023 (Unaudited) | Nine-month period ended 30 September 2022 (Restated – Notes 3 and 4) (Unaudited) |
|--|-------------|--|---|
| | Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit / (loss) for the period before zakat | | 45,970 | (80,601) |
| <u>Adjustments for non-cash items:</u> | | | |
| Depreciation and amortization | | 1,877 | 2,267 |
| Depreciation of right-of-use assets | | 3,366 | 1,896 |
| Finance costs on lease liabilities | | 832 | 723 |
| Commission income from investment measured at amortised cost | 7 | (1,212) | (1,350) |
| Unrealized (gain) / loss on investments measured at FVTPL | 7 | (2,004) | 1,122 |
| Realized gain on investments measured at FVTPL | | (190) | (6,566) |
| Net impairment losses / (reversal) on financial assets | | 105 | (323) |
| Provision for employees benefit obligations | | - | (1,241) |
| | | 48,744 | (84,073) |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Insurance contract liabilities | | (58,971) | 170,458 |
| Reinsurance contract liabilities | | 297 | - |
| Reinsurance contract assets | | 6,809 | (17,710) |
| Prepaid expenses and other assets | | (4,135) | (8,852) |
| Accrued and other liabilities | | 17,022 | 7,362 |
| | | 9,766 | 67,185 |
| Zakat paid | 15 | (1,187) | - |
| Employee benefit obligations paid | | (319) | (1,775) |
| Net cash generated from operating activities | | 8,260 | 65,410 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to financial assets at FVTPL | 7 | (40,091) | (37,962) |
| Proceeds from sale of financial assets at FVTPL | | 21,241 | 120,928 |
| Term deposits | | 211,739 | (71,271) |
| Commission income from investment at amortised cost | 7 | 2,684 | 1,460 |
| Payments for purchase of property and equipment | | (1,422) | (3,434) |
| Payments for purchase of intangible assets | | (186) | (852) |
| Net cash generated from investing activities | | 193,965 | 8,869 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Principal elements of lease payments | | (4,105) | (3,690) |
| Net cash used in financing activities | | (4,105) | (3,690) |
| Net increase in cash and cash equivalents | | 198,120 | 70,589 |
| Cash and cash equivalents at the beginning of the period | | 134,765 | 124,016 |
| Cash and cash equivalents at the end of the period | | 332,885 | 194,605 |


Chief Financial Officer


Chief Executive Officer


Board Member

The accompanying notes 1 to 26 form an integral part of this interim condensed financial information.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

1. GENERAL

(a) Legal status and principal activities

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

The registered office address of the Company is:

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

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

(b) Going concern assessment

The Company has accumulated losses of Saudi Riyals 33.8 million as of 30 September 2023 (31 December 2022: accumulated losses of Saudi Riyals 76.8 million). Further, the Company's solvency margin of negative 29.52% as at 30 September 2023 (31 December 2022: negative 45.16%) remains below the minimum solvency requirements as mandated by Saudi Central Bank ("SAMA").

Under Article 68 2(d) of the Implementing Regulations of the Cooperative Insurance Companies Control Law (the "Regulations"), SAMA shall appoint an advisor to provide consultation and advice to the Company or issue a cease and desist order to the Company and recommend the withdrawal of its license if the solvency margin falls below 25% and/or the Company fails to act appropriately to rectify its financial situation. The Company received correspondence from SAMA requiring the Company to submit its rectification measures according to Article 68 of the Regulations. In response to SAMA's correspondence, the Company submitted its planned rectification measures which included a rights issue of Saudi Riyals 100 million (10 million new shares). On 20 November 2022, the Company received SAMA approval related to increase of share capital by Saudi Riyals 100 million as recommended by the Board of Directors on 3 November 2022. On 15 December 2022, the shareholders of the Company in an extraordinary general meeting approved the increase in the share capital as recommended by the Board and directed the Company to proceed with the capital increase procedures and obtain the approval of regulatory authorities. Also, the Capital Market Authority (CMA) issued its approval on the Company's application to increase its capital on 23 July 2023. Subsequent to the period ended 30 September 2023, in an Extraordinary General Assembly Meeting held on 5 November 2023, the shareholders of the Company granted the final approval for the rights issue and the Company is in process of finalising the remaining procedures for completion of the rights issue.

Management has formulated and implemented various performance improvement measures starting late 2022, as approved by the Company's Board of Directors, which, among others, include better pricing strategies for Motor segments. Such measures have resulted in better results and the Company has earned total profit for the nine-month period ended 30 September 2023 of Saudi Riyals 43.0 million (total loss for the nine-month period ended 30 September 2022 was Saudi Riyals 83.6 million). Management expects that this will further reflect positively in the operational results and cash flows for 2023 and the years to come. However, management's assessment and realisation of its planned measures and actions outlined in the business plan is dependent on a number of factors, estimates and assumptions including the achievement of the projected improvement in the results of the Motor segment. Accordingly, these events and conditions including realisation of planned measures and actions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding the above, the interim condensed financial information has been prepared on a going concern basis as management believes that the Company will be both, able to continue its operations and meet its obligations, as they fall due within the next 12 months as reflected in the detailed business plan and projected cash flows for the years from 2023 to 2026. Management continues to monitor performance indicators of all lines of business and prevailing market conditions and will take the necessary corrective actions and amend its business plan, if necessary.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial information of the Company has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Company has applied IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia with effect from 1 January 2023 and the resultant changes to the significant judgments, estimates and accounting policies are described in Notes 3 and 4.

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

In accordance with the requirements of Implementing Regulation for Co-operative Insurance Companies (the "Regulations") issued by SAMA and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders' operations in full.

SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations.

In preparing the Company's financial information in compliance with IAS 34, as endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

(b) Basis of measurement

The interim condensed financial information is prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual financial statements for the year ended 31 December 2022.

The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepaid expenses and other assets, accrued commission income on statutory deposit, accrued and other liabilities, zakat provision and accrued income payable to SAMA. The following balances would generally be classified as non-current: financial assets at FVTPL, financial assets at amortised cost, financial assets at FVOCI, property and equipment, intangible asset, statutory deposit and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include term deposits, insurance contract liabilities, reinsurance contract assets and lease liabilities.

(c) Basis of presentation

The interim condensed financial information 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.

(d) Functional and presentation currency

This interim condensed financial information is expressed in Saudi Arabian Riyals ("Saudi Riyals") which is the functional and presentation currency of the Company.

(e) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company. The interim results may not represent a proportionate share of the annual results due to cyclical variability in premiums and uncertainty of claims occurrences.

(f) Changes in products and services

During the nine-month period ended 30 September 2023, there were no significant changes in products or services and their terms of the insurance contracts offered by the Company.

SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals '000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, amendments and interpretations applied by the Company

The accounting policies, estimates and assumptions used in the preparation of this interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except as explained below.

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

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

The new accounting policies and the impact of the adoption of these new standards are disclosed in Notes 3.2, Note 3.3 and Note 4, respectively. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting the other new and amended standards.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Company. The relevant standards, interpretations and amendments issued, but are not yet effective are disclosed below.

| Title | Key requirements | Effective date |
|---|---|-----------------|
| Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | The narrow-scope amendments to IAS 1 'Presentation of Financial Statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. | January 1, 2024 |
| Leases on Sale and Leaseback – Amendment to IFRS 16 | These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. | January 1, 2024 |

Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

3.2 Changes in accounting policies

3.2.1 IFRS 17

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

i. Classification and summary of measurement models

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims ("LIC") and Liability for Remaining Coverage ("LRC"). As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include medical, motor, liability, casualty, engineering, fire and property and marine. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company does not issue any contracts with direct participating features.

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 of 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.

None of the insurance contracts issued by the Company contain embedded derivatives, investment components or any other goods and services.

ii. Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- 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 portfolio.

The portfolios are further divided by year of issue.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

ii. Level of aggregation (continued)

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

The Company assumes that no 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. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.

iii. Recognition

The Company recognises a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- For a group of onerous contracts, the date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

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

- For reinsurance contracts that provide proportionate coverage, at the later of:
 - (i) the beginning of the coverage period of the group of reinsurance contracts and
 - (ii) the initial recognition of any underlying contract.
- All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts;

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

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

iv. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- i) The Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- ii) Both of the following criteria are satisfied
 - 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 reflects the risks of that portfolio; and
 - the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

iv Contract boundaries (continued)

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

v Measurement

The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. This is the default model under IFRS 17 to measure insurance contracts. However, the Premium Allocation Approach (PAA), which is a simplified measurement model, is permitted if, and only if, at the inception of the group:

- The entity 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 requirements or
- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

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

● Insurance contracts:

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as groups are either composed of contracts with coverage period of one year or less, including coverage arising from all premiums within the contract boundary, or for contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM model.

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

● Reinsurance contracts:

The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Measurement on initial recognition under PAA:

On initial recognition of each group of contracts that are not onerous, the carrying amount of the liability for remaining coverage ("LRC") is measured at the premiums received on initial recognition less any acquisition cash flows paid.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer.

Subsequent measurement under PAA:

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

- a. the LRC; and
- b. the LIC, comprising the fulfilment cash flows ("FCF") related to past service allocated to the group at the reporting date.

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

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

v Measurement (continued)

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

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

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

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

On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

Accordingly, for Engineering and liability insurance, the liability for remaining coverage is discounted to reflect the time value of money and the effect of financial risk. For all other group of contracts, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

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

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 3.3.

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

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

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

Onerous contract assessment

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

v Measurement (continued)

Onerous contract assessment (continued)

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

The Company had identified onerous contracts on initial recognition from the motor product line on the basis of combined ratios of the past years.

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

Non-performance risk (NPR) adjustment:

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

vi De-recognition and contract modification

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in the estimates of fulfilment cash flows. There were no instances of modification or derecognition identified during the nine-month period ended 30 September 2023.

vii Acquisition & attributable cost

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired businesses. The Company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially attributed to the insurance operations. The Company has in place allocation technique to allocate the costs based on direct to indirect costs ratio. Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

viii Risk adjustments for non-financial risk

The Company has decided to adopt the Value at risk method on incurred claims for the estimation of risk adjustment. The Company has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering this level is adequate to cover sources of uncertainty about the amount and timing of the cash flows. While for premium risk, Solvency II approach is used to derive the risk with the same percentile as the claim reserves.

ix Presentation

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

ix Presentation (continued)

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

Insurance revenue

The insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period on the passage of time.

The Company has developed impairment calculations based on provision matrix approach. LFRC adjustment is recorded as an adjustment to LFRC with corresponding impact recorded in Insurance Revenue.

Insurance service expenses

Insurance service expenses include 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.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Net expenses from reinsurance contracts:

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

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

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

Insurance finance income and expenses:

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

The Company includes all insurance finance income or expenses for the period in profit or loss.

x Changes to classification, recognition and measurement

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

- **Deferral of acquisition costs** – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. The Company has elected to capitalise and amortise these costs over the coverage period based on the passage of time for all groups of contracts.
- **Discount rate** – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

x Changes to classification, recognition and measurement (continued)

curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date.

- **Risk Adjustment** -Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment") which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk.
- **Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS 4.

xi Changes to presentation and disclosure

Statement of financial position

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

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

| Line items under IFRS 17 | Line items under IFRS 4, now combined under one line item under IFRS 17 |
|---------------------------------|--|
| Insurance contract liabilities | Unearned premiums Premiums receivables Deferred policy acquisition costs Premium deficiency reserve Policyholders claims payable Najm, manafeth, SAMA fee within prepaid expenses and other assets Survey fee, actuarial fee and Elm fee payables, within accrued expenses and other liabilities Outstanding claims Claims incurred but not reported Due to agents, brokers and third-party administrator Surplus distribution payable |
| Reinsurance contract assets | Reinsurer's share of unearned premiums Minimum Deposit premium (XOL), within prepaid expenses and other assets Unearned reinsurance commission Payable to reinsurers, within due to reinsurers, agents, brokers and third-party administrator Reinsurer's share of outstanding claims Reinsurer's share of claims incurred but not reported XOL reinstatement payable, within accrued expenses and other liabilities Due from reinsurers VAT on reinsurance commission |

Statements of comprehensive income

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.1 IFRS 17 (continued)

xi Changes to presentation and disclosure (continued)

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

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

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

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses since expenses are classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expense or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as underwriting expenses under IFRS 4 are now presented as other expenses under IFRS 17 in the line Other operating expense.

The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

3.2.2 IFRS 9

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 has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The nature of the changes in accounting policies can be summarised, as follows:

3.2.2.1 Financial assets and liabilities

i. Initial recognition

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transaction cost of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (that is, a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.2 IFRS 9 (continued)

3.2.2.1 Financial assets and liabilities (continued)

i. Initial recognition (continued)

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Interest income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective interest rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

ii. Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through Other Comprehensive Income (FVOCI)
- Held at amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

Business model:

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 (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.2 IFRS 9 (continued)

3.2.2.1 Financial assets and liabilities (continued)

ii. Classification and subsequent measurement of financial assets (continued)

Debt instruments (continued)

Solely payments of principal and profit:

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 FVTPL.

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 amortised cost measurement. In making the assessment the Company considers all contractual terms, including 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. Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised 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 FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. 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 FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Interest income' using the effective profit method. Currently no debt instrument is classified as FVOCI.

Fair value through profit or loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in profit or loss in the period in which it arises. Currently investment in mutual funds and Sukuk which failed SPPI assessment are classified as FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are not expected to be frequent and no such instances have occurred during the nine-month period ended 30 September 2023.

Equity instruments

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.2 IFRS 9 (continued)

3.2.2.1 Financial assets and liabilities (continued)

ii. *Classification and subsequent measurement of financial assets* (continued)

Equity instruments (continued)

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. Currently all equity securities are designated as FVOCI.

Any gain or loss on the disposal of equity classified as FVOCI will be non-recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

iii. *Impairment of financial assets*

The Company assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Premiums receivable balances have been classified under insurance contract liabilities and the reinsurers' receivable balances and reinsurers' share of outstanding claims and claims incurred but not reported have been classified under reinsurance contract assets, as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers significant insurance risk to the insurer rather than financial risk, which are in the scope of IFRS 17 for impairment.

The Company applies the three-stage model for impairment of financial assets measured at amortised cost and FVOCI, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset.

Financial assets are written-off only when there is no reasonable expectation of recovery.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.2 IFRS 9 (continued)

3.2.2.1 Financial assets and liabilities (continued)

iii. Impairment of financial assets (continued)

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of income.

iv. Derecognition of financial assets

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

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

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

v. Classification and subsequent measurement of financial liabilities

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

vi. Derecognition of financial liabilities

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

3.2.2.2 Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
 - Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
 - Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
- Debt instruments at amortised cost.

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

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

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2022. There is no impact expected on financial liabilities as a result of transition to IFRS 9.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

3.2.2 IFRS 9 (continued)

3.2.2.3 Changes to the impairment calculation

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debt instruments) and cash and cash equivalents.

3.3 Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Critical accounting judgments, estimates and assumptions (continued)

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

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. The Company derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds. Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

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

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

(ii) Discounting methodology

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

The Company adopts a bottom-up approach. Cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company determines the risk-free rates using EIOPA rates denominated in USD and adjusted for the country risk premium. These rates are adjusted to reflect the liquidity characteristics of the group of insurance contracts. There is no allowance for the time value of money for liability for remaining coverage ("LRC").

(iii) Risk adjustment for non-financial risks

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Critical accounting judgments, estimates and assumptions (continued)

(iv) Onerosity determination

Under the PAA, the Company assumed no contracts in the portfolio are onerous at initial recognition unless “facts and circumstances” indicate otherwise. The Company performed the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if “facts and circumstances” indicate that there are significant changes in product pricing, product design, plans and forecasts. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company established a process to determine onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately. Refer Note 3.2.1 (v) for further details in this regard.

(v) Estimates for expected premium receipts

The Company has developed a methodology for expected premium receipts based on provision matrix approach. Such balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the estimates, such balances have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, affecting the ability of the customers to settle the receivables. The Company has identified the Gross domestic product and the inflation rate of the country in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(vi) Fair value of financial instruments

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

4 IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS

4.1 IFRS 17

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

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

The impact on total equity, total assets and total liabilities as at 1 January 2023 and 1 January 2022, arising from actuarial risk adjustment, discounting, loss component adjustment and estimates for expected premium receipts, is as follows. The overall decrease in net equity is principally on account of change in methodology for computing loss component adjustment and expected premium receipts under IFRS 17 requirements as compared to premium deficiency reserve under IFRS 4 and allowance for doubtful debts under IAS 39. Also see Note 3.2.1 for details regarding the methodology and assumptions used to determine such adjustments.

| | Note | 1 January 2023 | 1 January 2022 |
|---|-------|-------------------|-------------------|
| Impact on the Company's accumulated losses and total equity | | | |
| Change in measurement of reinsurance contract assets | 4.1.1 | 4,873 | 4,908 |
| Change in measurement of insurance contract liabilities | 4.1.2 | (19,524) | (38,703) |
| Impact of adoption of IFRS 17 on accumulated losses and total equity | | <u>(14,651)</u> | <u>(33,795)</u> |

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4 IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

4.1 IFRS 17 (continued)

4.1.1 Increase / (reduction) in the Company's total assets

| | 1 January 2023 | 1 January 2022 |
|--|---------------------------|-----------------------|
| Risk adjustment | 1,913 | 2,661 |
| Loss component recovery | 2,125 | 786 |
| Discounting | (864) | (221) |
| Estimates for expected recoveries from reinsurer | 1,699 | 1,682 |
| Impact of adoption of IFRS 17 on total assets | 4,873 | 4,908 |

4.1.2 (Increase) / reduction in the Company's total liabilities

| | 1 January 2023 | 1 January 2022 |
|---|---------------------------|-----------------------|
| Loss component on onerous contracts | (17,790) | (26,334) |
| Risk adjustment | (5,902) | (6,150) |
| Discounting | 2,544 | 1,504 |
| Estimates for expected premium receipts | 1,624 | (7,461) |
| Re-measurement adjustments | - | (262) |
| Impact of adoption of IFRS 17 on total liabilities | (19,524) | (38,703) |

The impact on the net loss for the three-month and nine-month period ended 30 September 2022 attributable to the shareholders, arising from actuarial risk adjustment, discounting, loss component adjustment and estimates for expected premium receipts recomputed for premiums receivable, reinsurers' receivable, reinsurers' share of outstanding claims and claims incurred but not reported, in line with the requirements of IFRS 17, is as follows:

| | For the three- month period ended 30 September 2022 | For the nine- month period ended 30 September 2022 |
|---|--|---|
| (Increase) / reduction in the Company's net loss | | |
| Loss component | (15,239) | (30,374) |
| Risk adjustment | 1,965 | 728 |
| Discounting | (1,286) | (525) |
| Estimates for expected premium receipts | (77) | 8,949 |
| Estimates for expected recoveries from reinsurer | 156 | 168 |
| Others | 2,231 | 964 |
| Impact of adoption of IFRS 17 on net loss | (12,250) | (20,090) |

4.2 IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using a full retrospective approach. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets as measured at FVTPL. This category includes financial assets that were previously designated as held for trading, sukuks having perpetual maturity and those that were classified as available for sale.

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4 IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

4.2 IFRS 9 (continued)

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of the date of application i.e. January 1, 2023 and 2022 is, as follows:

| | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying value under IAS 39 | New carrying value under IFRS 9 | Impact of ECL | Impact of change in classification |
|---------------------------|--|---------------------------------------|--|--|------------------|--|
| As at 1 January 2023 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | Amortised cost | Amortised cost | 134,765 | 134,765 | - | - |
| Term deposit Investments | Amortised cost | Amortised cost | 239,076 | 239,043 | (33) | - |
| Mutual funds | Available for sale at fair value ("AFS") | FVTPL | 20,755 | 20,755 | - | - |
| Ordinary shares | AFS | FVOCI | 1,923 | 39,703 | - | 37,780* |
| Sukuk | Held to maturity at amortised cost | Amortised cost | 60,000 | 61,464 | (8) | 1,472 |
| Statutory deposit | Amortised cost | Amortised cost | 37,500 | 37,500 | - | - |
| Other receivables | Advance to staff, deposits and other receivables | Amortised cost | 6,073 | 4,601 | - | (1,472) |
| | | | 500,092 | 537,831 | (41) | 37,780 |
| | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying value under IAS 39 | New carrying value under IFRS 9 | Impact of ECL | Impact change in classification |
| As at 1 January 2022 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | Amortised cost | Amortised cost | 124,016 | 124,016 | - | - |
| Term deposit Investments | Amortised cost | Amortised cost | 97,000 | 96,825 | (175) | - |
| Mutual funds | Available for sale at fair value ("AFS") | FVTPL | 69,163 | 68,996 | (167) | - |
| Ordinary shares | AFS | FVOCI | 1,923 | 37,028 | (5) | 35,110* |
| Ordinary shares | AFS | FVTPL | 32,384 | 32,384 | - | - |
| Sukuks | Held to maturity at amortised cost | Amortised cost | 64,983 | 65,766 | (11) | 794 |
| Statutory deposit | Amortised cost | Amortised cost | 37,500 | 37,500 | - | - |
| Other receivables | Advance to staff, deposits and other receivables | Amortised cost | 8,907 | 8,113 | - | (794) |
| | | | 435,876 | 470,628 | (358) | 35,110 |

* Includes impact of revaluation of investments in Najm. Refer Note 7 for further details in this regard.

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4 IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

4.2 IFRS 9 (continued)

Most of the financial assets that were classified as loan and receivables and held to maturity under IAS 39 continues to be measured at amortised costs under IFRS 9 since these form part of business model hold to collect contractual cash flows which are SPPI.

The impact on opening fair value reserve and opening accumulated losses, as at 1 January 2023 and 2022, is as follows:

| | Impact on opening accumulated losses | Impact on opening fair value reserve |
|--|---|---|
| Adjustment to opening fair value reserve under IFRS 9 | | |
| Revaluation of Najm investments (Refer Note 7) | - | 37,780 |
| Net ECL allowance on financial assets | (41) | - |
| Impact of initial application of IFRS 9 as at 1 January 2023 | (41) | 37,780 |

| | Impact on opening accumulated losses | Impact on opening fair value reserve |
|--|---|---|
| Adjustment to opening fair value reserve under IFRS 9 | | |
| Revaluation of Najm investments (Refer Note 7) | - | 35,105 |
| Net ECL allowance on financial assets | (358) | - |
| Impact of initial application of IFRS 9 as at 1 January 2022 | (358) | 35,105 |

The impact on the net loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2022 upon adoption of IFRS 9, is as follows:

For the three-month period ended 30 September 2022:

| | Impact on net loss | Impact on other comprehensive income |
|--|---------------------------|---|
| Net ECL allowance on financial assets | (4) | - |
| Impact of initial application of IFRS 9 for the three-month period 30 September 2022 | (4) | - |

For the nine-month period ended 30 September 2022:

| | Impact on net loss | Impact on other comprehensive income |
|---|---------------------------|---|
| Net ECL allowance on financial assets | 323 | - |
| Impact of initial application of IFRS 9 for the nine-month period 30 September 2022 | 323 | - |

Furthermore, the classification of financial liabilities has changed from 'Other financial liabilities at amortised cost' as per IAS 39 to 'amortised cost' as per IFRS 9, with no corresponding change in carrying value of such financial liabilities.

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4 IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

4.3 Overall impact on transition to IFRS 17 and IFRS 9

| | Impact on opening accumulated losses | Impact on opening fair value reserve |
|--|---|--|
| Increase / (decrease) on transition to: | | |
| IFRS 17 (see note 4.1) | (14,651) | - |
| IFRS 9 (see note 4.2) | (41) | 37,780 |
| Impact of adoption of IFRS 17 and IFRS 9 as at 1 January 2023 | (14,692) | 37,780 |

| | Impact on opening accumulated losses | Impact on opening fair value reserve |
|--|---|--|
| Increase / (decrease) on transition to: | | |
| IFRS 17 (see note 4.1) | (33,795) | - |
| IFRS 9 (see note 4.2) | (358) | 35,110 |
| Impact of adoption of IFRS 17 and IFRS 9 as at 1 January 2022 | (34,153) | 35,110 |

| | Impact on net loss | | Impact on other comprehensive income | |
|--|--|---|--|---|
| | For the three-month period ended 30 September 2022 | For the nine-month period ended 30 September 2022 | For the three-month period ended 30 September 2022 | For the nine-month period ended 30 September 2022 |
| Increase / (decrease) on transition to: | | | | |
| IFRS 17 (see note 4.1) | (12,250) | (20,090) | - | - |
| IFRS 9 (see note 4.2) | (4) | 323 | - | - |
| Impact of adoption of IFRS 17 and IFRS 9 for the nine-month period 30 September 2022 | (12,254) | (19,767) | - | - |

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | Insurance operations | |
|---|-------------------------------------|------------------------------------|
| | 30 September 2023 (Unaudited) | 31 December 2022 (Unaudited) |
| Bank balances | 162,438 | 134,733 |
| Deposits with original maturity of less than 3 months | 170,447 | - |
| | 332,885 | 134,733 |
| | Shareholders' operations | |
| | 30 September 2023 (Unaudited) | 31 December 2022 (Unaudited) |
| Bank balances | - | 32 |
| Total cash and cash equivalents | 332,885 | 134,765 |

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6. TERM DEPOSITS

The term deposits represent deposits held with the local commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three-months and less than twelve-months. As of 30 September 2023, the deposit yield commission rate of 5.55% (31 December 2022: ranges from 0.95% to 4.77%).

| | Insurance operations | |
|---------------|-----------------------------|----------------------|
| | 30 September 2023 | 31 December 2022 |
| | (Unaudited) | Restated (Unaudited) |
| Term deposits | 27,199 | 239,043 |

7. INVESTMENTS

a) Investments are classified as follows:

| | Insurance operations | | Shareholders' operations | | Total | |
|---|-----------------------------|-----------------------------|---------------------------------|-----------------------------|--------------------------|-----------------------------|
| | 30 September 2023 | 31 December 2022 - Restated | 30 September 2023 | 31 December 2022 - Restated | 30 September 2023 | 31 December 2022 - Restated |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Financial assets at FVTPL | | | | | | |
| Investment in equity "discretionary portfolio" – "DPM" (Quoted) | 21,104 | - | - | 1 | 21,104 | 1 |
| Local DPM | 4,945 | 5,049 | 15,750 | 15,705 | 20,695 | 20,754 |
| | 26,049 | 5,049 | 15,750 | 15,706 | 41,799 | 20,755 |
| Financial assets at amortized cost | | | | | | |
| Sukuk | 9,999 | 11,121 | 49,993 | 50,343 | 59,992 | 61,464 |
| Financial assets at FVOCI | | | | | | |
| Ordinary shares | - | - | 39,703 | 39,703 | 39,703 | 39,703 |
| | 36,048 | 16,170 | 105,446 | 105,752 | 141,494 | 121,922 |

b) Movement in fair value through profit or loss is as follows:

| | 30 September 2023 | 31 December 2022 - Restated |
|---|--------------------------|-----------------------------|
| | (Unaudited) | (Unaudited) |
| Balance at beginning of the period / year | 20,755 | 101,547 |
| Purchase during the period / year | 40,091 | 90,036 |
| Disposals during the period / year | (21,051) | (169,656) |
| Changes in fair value of investments | 2,004 | (1,172) |
| Balance at end of the period / year | 41,799 | 20,755 |

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7. INVESTMENTS (continued)

c) Movement in investment held at amortized cost is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 - Restated (Unaudited) |
|--|--|--|
| Balance at beginning of the period / year | 61,464 | 65,766 |
| Commission accrued for the period / year | 1,212 | 1,864 |
| Commission received / maturity during the period | (2,684) | (6,158) |
| | 59,992 | 61,472 |
| Expected credit loss allowance | - | (8) |
| Balance at end of the period / year | 59,992 | 61,464 |

d) Movement in fair value through other comprehensive income balance is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 Restated (Unaudited) |
|----------------------|--|--|
| Opening balance | 39,703 | 37,033 |
| Change in fair value | - | 2,670 |
| Closing balance | 39,703 | 39,703 |

(i) Investments at FVOCI represents equity investment of 3.45% holding (31 December 2022: 3.45%) in the equity of Najm for Insurance Services (Najm). During the nine-month period ended 30 September 2023, the Company has determined the fair value of its investment in Najm, which was previously carried at initial cost of Saudi Riyals 1.9 million until 31 December 2022, to be Saudi Riyals 39.7 million as at 31 December 2022 (Saudi Riyals 37 million as at 31 December 2021). Accordingly, the required adjustments to bring the carrying value of such investment to its fair value in accordance with IFRS 9, have been recorded in the opening equity as of 1 January 2022 and 31 December 2022.

8. PREPAID EXPENSES AND OTHER ASSETS

| | Insurance operations | |
|---|--|--|
| | 30 September 2023 (Unaudited) | 31 December 2022 Restated (Unaudited) |
| Co-insurance income receivable | 9,954 | 13,732 |
| Advance to suppliers | 7,274 | 7,962 |
| Discount volume incentives receivable | 3,495 | 1,995 |
| Prepayments | 3,802 | 1,247 |
| Advances to staff | 1,747 | 1,693 |
| Deposits | 2,286 | 300 |
| Other receivables | 3,740 | 2,607 |
| | 32,298 | 29,536 |
| | Shareholders' operations | |
| | 30 September 2023 (Unaudited) | 31 December 2022 Restated (Unaudited) |
| Other receivables | 1,846 | 473 |
| Total prepaid expenses and other assets | 34,144 | 30,009 |

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9. ACCRUED AND OTHER LIABILITIES

| | 30 September 2023 | 31 December 2022 |
|--------------------------------|------------------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| Suppliers and other creditors | 7,569 | 14,921 |
| Payable to government entities | 29,127 | 2,770 |
| Accrued expenses | 927 | 397 |
| Other payables | 184 | 2,697 |
| | 37,807 | 20,785 |

10. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

| | 30 September 2023 | 31 December 2022 |
|--|------------------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| Letters of guarantee in favour of non-government customers | 3,172 | 700 |
| Letters of guarantee in favour of ZATCA | 9,500 | 9,500 |
| | 12,672 | 10,200 |

- a) The Company enters into insurance contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.

The Company's bankers have given guarantees to non-government customers amounting to Saudi Riyals 3.2 million (2022: Saudi Riyals 0.7 million) in respect of motor insurance and to Zakat, Tax and Customs Authority amounting to Saudi Riyals 9.5 million (2022: Saudi Riyals 9.5 million) in respect of zakat assessments for years 2008 to 2012. During 2021, the Company has settled the liability from 2008 to 2012 and requested ZATCA to release the bank guarantee amounting to Saudi Riyals 9.5 million.

- b) See Note 15 for contingencies pertaining to zakat assessments.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial information.

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

| Insurance operations | Fair value | | | |
|--|-------------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 30 September 2023 (Unaudited) | | | | |
| Financial assets measured at fair value | | | | |
| Investments held as FVTPL | 21,104 | - | 4,945 | 26,049 |
| | 21,104 | - | 4,945 | 26,049 |
| 31 December 2022 (Unaudited & Restated) | | | | |
| Financial assets measured at fair value | | | | |
| Investments held as FVTPL | - | - | 5,049 | 5,049 |
| | - | - | 5,049 | 5,049 |
| Shareholders' operations | | | | |
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| 30 September 2023 (Unaudited) | | | | |
| Financial assets measured at fair value | | | | |
| Investments held as FVTPL | - | - | 15,750 | 15,750 |
| Investments held as FVOCI | - | - | 39,703 | 39,703 |
| | - | - | 55,453 | 55,453 |
| 31 December 2022 (Unaudited & Restated) | | | | |
| Financial assets measured at fair value | | | | |
| Investments held as FVTPL | 1 | - | 15,705 | 15,706 |
| Investments held as FVOCI | - | - | 39,703 | 39,703 |
| | 1 | - | 55,408 | 55,409 |

Significant unobservable inputs used in the valuation of level 3 investment include fair value estimates from reputable third-party valuer who use technique such as discounted cash flows and other sophisticated models. During the nine-month period ended 30 September 2023, there have been no transfers between level 1, level 2 and level 3.

12. INFORMATION RELATED TO PRODUCT LINES

Results of product lines do not include general and administration expenses, allowances for doubtful debts, investment and commission income, realized gain (loss) on investments and other income.

Product lines' assets do not include cash and cash equivalents, short term deposits, long term deposits, due from shareholders' operations, investments except unit linked investments, accrued commission income, prepaid expenses & other assets, property and equipment and intangible assets. Accordingly, these are included in unallocated assets.

Product lines' liabilities do not include accrued and other liabilities, due to shareholders' operations, employee benefit obligations and accrual loss thereon, and insurance operations' surplus. Accordingly, these are included in unallocated liabilities.

The Company's information is presented into business units based on their products and services in the following product lines:

- Medical;
- Motor; and
- Other.

Financial position

An analysis of the amounts presented on the balance sheet for insurance contracts and reinsurance contracts has been included in the table below:

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12. INFORMATION RELATED TO PRODUCT LINES (continued)

Financial position (continued)

| | Medical | Motor | Others | Total |
|---|----------|-----------|---------|-----------|
| As at 30 September 2023 (Unaudited) | | | | |
| Assets | | | | |
| Reinsurance contract assets | - | 37,568 | 30,652 | 68,220 |
| Unallocated assets | - | - | - | 600,033 |
| Total assets | - | 37,568 | 30,652 | 668,253 |
| Liabilities and equity | | | | |
| Insurance contract liabilities | 49,455 | 373,610 | 42,382 | 465,447 |
| Reinsurance contract liabilities | 297 | - | - | 297 |
| Unallocated liabilities and equity | - | - | - | 202,509 |
| Total liabilities and equity | 49,752 | 373,610 | 42,382 | 668,253 |
| As at 31 December 2022 – Restated (Unaudited) | | | | |
| Assets | | | | |
| Reinsurance contract assets | 4,587 | 30,666 | 39,776 | 75,029 |
| Unallocated assets | - | - | - | 591,781 |
| Total assets | 4,587 | 30,666 | 39,776 | 666,810 |
| Liabilities and equity | | | | |
| Insurance contract liabilities | 61,459 | 418,297 | 44,662 | 524,418 |
| Unallocated liabilities and equity | - | - | - | 142,392 |
| Total liabilities and equity | 61,459 | 418,297 | 44,662 | 666,810 |
| For the three-month period ended 30 September 2023 | | | | |
| (Unaudited) | | | | |
| | Medical | Motor | Others | Total |
| Insurance revenue from contracts | 36,614 | 145,191 | 9,579 | 191,384 |
| Insurance service expenses | (24,211) | (136,735) | (841) | (161,787) |
| Net income / (expense) from reinsurance contracts | 1,982 | (12,027) | (4,869) | (14,914) |
| Insurance service result | 14,385 | (3,571) | 3,869 | 14,683 |
| Investment income | | | | |
| Investment income – unallocated | - | - | - | 6,523 |
| Net investment income | | | | |
| Finance costs from insurance contracts issued | (28) | (125) | (58) | (211) |
| Finance income from reinsurance contracts held | - | 25 | 45 | 70 |
| Net insurance finance cost | (28) | (100) | (13) | (141) |
| Net insurance and investment result | 14,357 | (3,671) | 3,856 | 21,065 |
| Other income | | | | 814 |
| Other operating expenses | | | | (8,291) |
| Net reversal of impairment losses on financial assets | | | | 82 |
| Profit for the period before zakat | | | | 13,670 |
| Zakat | | | | (1,000) |
| Net profit for the period attributable to the shareholders | | | | 12,670 |

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12. INFORMATION RELATED TO PRODUCT LINES (continued)

| | For the three-month period ended 30 September 2022 | | | |
|---|--|-----------------|----------------|-----------------|
| | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Insurance revenue from contracts | 32,688 | 119,899 | 3,032 | 155,619 |
| Insurance service expenses | (16,954) | (155,529) | 14,408 | (158,075) |
| Net (expense) / income from reinsurance contracts | (504) | 850 | (13,202) | (12,856) |
| Insurance service result | 15,230 | (34,780) | 4,238 | (15,312) |
| Investment income | | | | |
| Investment income – unallocated | - | - | - | 2,687 |
| Net investment income | | | | |
| Finance income / (costs) from insurance contracts issued | 113 | 1,004 | (1,264) | (147) |
| Finance (costs) / income from reinsurance contracts held | (10) | (116) | 37 | (89) |
| Net insurance finance income / (cost) | 103 | 888 | (1,227) | (236) |
| Net insurance and investment result | 15,333 | (33,892) | 3,011 | (12,861) |
| Other income | | | | 7,294 |
| Other operating expenses | | | | (620) |
| Net impairment losses on financial assets | | | | (4) |
| Total loss for the period before zakat | | | | (6,191) |
| Zakat | | | | - |
| Net loss for the period attributable to the shareholders | | | | (6,191) |

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12. INFORMATION RELATED TO PRODUCT LINES (continued)

| | For the nine- month period ended 30 September 2023 | | | |
|---|---|----------------|---------------|----------------|
| | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Insurance revenue from contracts | 111,505 | 459,973 | 24,722 | 596,200 |
| Insurance service expenses | (82,965) | (437,198) | (10,675) | (530,838) |
| Net expense from reinsurance contracts | (672) | (15,706) | (11,550) | (27,928) |
| Insurance service result | 27,868 | 7,069 | 2,497 | 37,434 |
| Investment income | | | | |
| Investment income – unallocated | - | - | - | 16,936 |
| Net investment income | | | | |
| Finance costs from insurance contracts issued | (233) | (1,471) | (471) | (2,175) |
| Finance income from reinsurance contracts held | 24 | 156 | 439 | 619 |
| Net insurance finance cost | (209) | (1,315) | (32) | (1,556) |
| Net insurance and investment result | 27,659 | 5,754 | 2,465 | 52,814 |
| Other income | | | | 11,338 |
| Other operating expenses | | | | (18,077) |
| Net impairment losses on financial assets | | | | (105) |
| Profit for the period before zakat | | | | 45,970 |
| Zakat | | | | (3,000) |
| Net profit for the period attributable to the shareholders | | | | 42,970 |

| | For the nine- month period ended 30 September 2022 | | | |
|---|---|------------------|---------------|-----------------|
| | (Unaudited) | | | |
| | (Restated) | | | |
| | Medical | Motor | Others | Total |
| Insurance revenue from contracts | 80,356 | 307,348 | 21,971 | 409,675 |
| Insurance service expenses | (59,467) | (448,437) | 705 | (507,199) |
| Net expenses from reinsurance contracts | 172 | 9,939 | (2,506) | 7,607 |
| Insurance service result | 21,061 | (131,150) | 20,170 | (89,914) |
| Investment income | | | | |
| Investment income – unallocated | - | - | - | 14,208 |
| Net investment income | | | | |
| Finance income from insurance contracts issued | 72 | 518 | 488 | 1,077 |
| Finance costs from reinsurance contracts held | (7) | (65) | (480) | (552) |
| Net insurance finance income | 65 | 453 | 8 | 525 |
| Net insurance and investment result | 21,130 | (130,697) | 20,178 | (75,181) |
| Other income | | | | 8,898 |
| Other operating expenses | | | | (14,641) |
| Net reversal of impairment losses on financial assets | | | | 323 |
| Loss for the period before zakat | | | | (80,601) |
| Zakat | | | | (3,000) |
| Net loss for the period attributable to the shareholders | | | | (83,601) |

13 INSURANCE AND REINSURANCE CONTRACTS

13.1 Composition of the statement of financial position

An analysis of the amounts presented on the statement of financial position for insurance contracts and reinsurance contracts has been included in the table below along with the presentation of current and non-current portion of balances:

| 30 September 2023 (Unaudited) | Medical | Motor | Other | Total |
|--------------------------------------|----------------|--------------|--------------|----------------|
| Insurance contracts | | | | |
| Insurance contract assets | - | - | - | - |
| Insurance contract liabilities | 49,455 | 373,610 | 42,382 | 465,447 |
| | | | | 465,447 |
| Reinsurance contracts | | | | |
| Reinsurance contract assets | - | 37,568 | 30,652 | 68,220 |
| Reinsurance contract liabilities | (297) | - | - | (297) |
| | | | | 67,923 |

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13 INSURANCE AND REINSURANCE CONTRACTS (continued)

| | Medical | Motor | Other | Total |
|---|---------|---------|--------|----------------|
| 31 December 2022 - Restated (Unaudited) | | | | |
| Insurance contracts | | | | |
| Insurance contract assets | - | - | - | - |
| Insurance contract liabilities | 61,459 | 418,296 | 44,663 | 524,418 |
| | | | | <u>524,418</u> |
| Reinsurance contracts | | | | |
| Reinsurance contract assets | 4,587 | 30,666 | 39,776 | 75,029 |
| Reinsurance contract liabilities | - | - | - | - |
| | | | | <u>75,029</u> |

13.2 Analysis by remaining coverage and incurred claims

13.2.1 Insurance contracts

| | As at 30 September 2023 (Unaudited) | | | | |
|--|--|-----------------|-------------------------------------|--|------------------|
| | Liability for remaining coverage (LRC) | | Liability for incurred claims (LIC) | | Total |
| | Excluding loss component | Loss component | Estimates of present value of FCF | Risk adjustment for non-financial risk | |
| Insurance contracts | | | | | |
| Insurance contracts liabilities – opening | 347,074 | 21,624 | 149,818 | 5,902 | 524,418 |
| Insurance contracts assets – opening | - | - | - | - | - |
| Opening balance – net (Unaudited) | 347,074 | 21,624 | 149,818 | 5,902 | 524,418 |
| Insurance revenue | (596,200) | - | - | - | (596,200) |
| Insurance service expenses | | | | | |
| Incurred claims and other expenses | - | - | 586,955 | 1,371 | 588,326 |
| Insurance acquisition cash flows amortization | 93,964 | - | - | - | 93,964 |
| Losses and reversals of losses on onerous contracts | - | (17,409) | - | - | (17,409) |
| Changes that relate to past service - adjustments to the LIC | - | - | (131,691) | (2,352) | (134,043) |
| Insurance service expenses / (income) | 93,964 | (17,409) | 455,264 | (981) | 530,838 |
| Finance cost from insurance contracts | - | - | 1,917 | 258 | 2,175 |
| Total changes in the statement of income | (502,236) | (17,409) | 457,181 | (723) | (63,187) |
| Transfer from LRC to LIC | 27,278 | - | (27,278) | - | - |
| Cash flows | | | | | |
| Premium received | 555,154 | - | - | - | 555,154 |
| Claims paid | - | - | (472,586) | - | (472,586) |
| Insurance acquisition cash flows | (78,352) | - | - | - | (78,352) |
| Total cash inflows / (outflows) | 476,802 | - | (472,586) | - | 4,216 |
| Insurance contracts liabilities - closing | 348,918 | 4,215 | 107,135 | 5,179 | 465,447 |
| Insurance contracts assets – closing | - | - | - | - | - |
| Closing balance – net (Unaudited) | 348,918 | 4,215 | 107,135 | 5,179 | 465,447 |

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13 INSURANCE AND REINSURANCE CONTRACTS (continued)

13.2 Analysis by remaining coverage and incurred claims (continued)

13.2.1 Insurance contracts (continued)

| | As at 31 December 2022 – Restated (Unaudited) | | | | |
|--|---|-----------------|-------------------------------------|--|----------------|
| | Liability for remaining coverage (LRC) | | Liability for incurred claims (LIC) | | Total |
| | Excluding loss component | Loss component | Estimates of present value of FCF | Risk adjustment for non-financial risk | |
| Insurance contracts | | | | | |
| Insurance contracts liabilities – opening | 170,321 | 33,816 | 179,442 | 6,150 | 389,729 |
| Insurance contracts assets – closing | - | - | - | - | - |
| Opening balance – net (Unaudited) | 170,321 | 33,816 | 179,442 | 6,150 | 389,729 |
| Insurance revenue | (589,261) | - | - | - | (589,261) |
| Insurance service expenses | | | | | |
| Incurred claims and other expenses | - | - | 673,031 | 2,757 | 675,788 |
| Insurance acquisition cash flows amortization | 98,144 | - | - | - | 98,144 |
| Losses and reversals of losses on onerous contracts | - | (12,192) | - | - | (12,192) |
| Changes that relate to past service - adjustments to the LIC | - | - | (137,433) | (3,089) | (140,522) |
| Insurance service expenses / (income) | 98,144 | (12,192) | 535,598 | (332) | 621,218 |
| Finance cost / (income) from insurance contracts | - | - | (758) | 84 | (674) |
| Total changes in the statement of income | (491,117) | (12,192) | 534,840 | (248) | 31,283 |
| Transfer from LRC to LIC | 25,989 | - | (25,989) | - | - |
| Cash flows | | | | | |
| Premium received | 748,724 | - | - | - | 748,724 |
| Claims paid | - | - | (538,475) | - | (538,475) |
| Insurance acquisition cash flows | (106,843) | - | - | - | (106,843) |
| Total cash inflows / (outflows) | 641,881 | - | (538,475) | - | 103,406 |
| Insurance contracts liabilities – closing | 347,074 | 21,624 | 149,818 | 5,902 | 524,418 |
| Insurance contracts assets – closing | - | - | - | - | - |
| Closing balance – net – Restated (Unaudited) | 347,074 | 21,624 | 149,818 | 5,902 | 524,418 |

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13 INSURANCE AND REINSURANCE CONTRACTS (continued)

13.2 Analysis by remaining coverage and incurred claims (continued)

13.2.2 Reinsurance contracts held

| | As at 30 September 2023 (Unaudited) | | | | |
|--|-------------------------------------|----------------|-----------------------------------|--|-----------------|
| | Assets for remaining coverage | | Assets for incurred claims | | Total |
| | Excluding loss component | Loss component | Estimates of present value of FCF | Risk adjustment for non-financial risk | |
| Reinsurance contracts | | | | | |
| Reinsurance contracts assets – opening | (26,635) | (2,125) | (44,356) | (1,913) | (75,029) |
| Insurance contracts liabilities – closing | - | - | - | - | - |
| Opening balance – net (Unaudited) | (26,635) | (2,125) | (44,356) | (1,913) | (75,029) |
| Allocation of reinsurance premium | 62,956 | - | - | - | 62,956 |
| Amounts recoverable from reinsurers | | | | | |
| Recoveries of incurred claims and other insurance service expenses | - | - | (69,241) | (75) | (69,316) |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | - | 1,794 | - | - | 1,794 |
| Changes that relate to past service adjustments to the LIC | - | - | 31,740 | 755 | 32,495 |
| Amount recoverable from reinsurers – net | - | 1,794 | (37,501) | 680 | (35,027) |
| Finance income from reinsurance contracts – net | - | - | (535) | (84) | (619) |
| Total changes in the statement of income | 62,956 | 1,794 | (38,036) | 596 | 27,310 |
| Transfer from ARC to AIC | 1,806 | - | (1,806) | - | - |
| Cash flows | | | | | |
| Premiums ceded and acquisition cash flows paid | (82,548) | - | - | - | (82,548) |
| Fixed commission received | 9,582 | - | - | - | 9,582 |
| Recoveries from reinsurance | - | - | 52,762 | - | 52,762 |
| Total cash (outflows)/ inflows | (72,966) | - | 52,762 | - | (20,204) |
| Reinsurance contracts assets – closing | (35,404) | (331) | (31,168) | (1,317) | (68,220) |
| Reinsurance contracts liabilities - closing | 565 | - | (268) | - | 297 |
| Closing balance – net (Unaudited) | (34,839) | (331) | (31,436) | (1,317) | (67,923) |

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13 INSURANCE AND REINSURANCE CONTRACTS (continued)

13.2 Analysis by remaining coverage and incurred claims (continued)

13.2.2 Reinsurance contracts held (continued)

| | As at 31 December 2022 (Unaudited) | | | | |
|--|------------------------------------|-------------------|--|--|----------|
| | Assets for remaining coverage | | Assets for incurred claims | | Total |
| | Excluding loss component | Loss component | Estimates of present value of FCF | Risk adjustment for non- financial risk | |
| Reinsurance contracts | | | | | |
| Reinsurance contracts assets – opening | (20,220) | (1,569) | (39,679) | (1,880) | (63,348) |
| Insurance contracts liabilities – closing | - | - | - | - | - |
| Opening balance – net (Unaudited) | (20,220) | (1,569) | (39,679) | (1,880) | (63,348) |
| Allocation of reinsurance premium | 65,788 | - | - | - | 65,788 |
| Amounts recoverable from reinsurance | | | | | |
| Recoveries of incurred claims and other insurance service expenses | - | - | (78,803) | (532) | (79,335) |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | - | (556) | - | - | (556) |
| Changes that relate to past service – adjustments to the LIC | - | - | 20,663 | 524 | 21,187 |
| Amount recoverable from reinsurance – net | - | (556) | (58,140) | (8) | (58,704) |
| Finance costs / (income) from reinsurance contracts – net | - | - | 332 | (25) | 307 |
| Total changes in the statement of income | 65,788 | (556) | (57,808) | (33) | 7,391 |
| Transfer from ARC to AIC | (1,806) | - | 1,806 | - | - |
| Cash flows | | | | | |
| Premiums ceded and acquisition cash flows paid | (77,901) | - | - | - | (77,901) |
| Fixed commission received | 7,504 | - | - | - | 7,504 |
| Recoveries from reinsurance | - | - | 51,325 | - | 51,325 |
| Total cash (outflows) / inflows | (70,397) | - | 51,325 | - | (19,072) |
| Reinsurance contracts assets – closing | (26,635) | (2,125) | (44,356) | (1,913) | (75,029) |
| Insurance contracts liabilities – closing | - | - | - | - | - |
| Closing balance – net (Unaudited) | (26,635) | (2,125) | (44,356) | (1,913) | (75,029) |

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14 RELATED PARTY TRANSACTIONS AND BALANCES

a. Related party transactions

Related parties represent major shareholders, directors and key management personnel [Key Management Personnel includes all directors, executive and non-executive, and senior management] 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 Board of Directors.

| | Nature of transactions | Amount of transactions for the three-month period ended | | Amount of transactions for the nine-month period ended | |
|---|------------------------|---|-------------------|--|-------------------|
| Entities controlled, jointly controlled or significantly influenced by member of board of directors | | 30 September 2023 | 30 September 2022 | 30 September 2023 | 30 September 2022 |
| Al Mamoon Insurance Brokers | Commissions incurred | 219 | - | 798 | - |
| Ittihad Insurance Brokers | Commissions incurred | 340 | - | 585 | - |
| Najm for Insurance Services* | Najm fees | 16,854 | - | 24,148 | - |

* No transactions are disclosed for the comparative period as these are from the date of appointment of related director i.e. May 2023.

b. Related parties balances

| | 30 September 2023 | 31 December 2022 |
|---------------------------------------|-------------------|------------------|
| | (Unaudited) | (Unaudited) |
| Payable to the related parties | | |
| Al Mamoon Insurance Brokers | (784) | (884) |
| Ittihad Insurance Brokers | (239) | (36) |
| Najm for Insurance Services** | (10,711) | - |
| | (11,734) | (920) |

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

The following table shows the compensation of the key management personnel for the period:

| | 30 September 2023 | 30 September 2022 |
|--|-------------------|-------------------|
| | (Unaudited) | (Unaudited) |
| Salaries and other allowances | 3,558 | 4,152 |
| End of service indemnities | 168 | 1,244 |
| | 3,726 | 5,396 |
| Remuneration to those charged with governance – Board of Directors | 980 | 118 |
| Remuneration to those charged with governance – Board Committees | 200 | 193 |

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15 ZAKAT

a. Charge for the period / year

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

Movements in provision during the period / year

| | 30 September 2023 | 31 December 2022 |
|---|------------------------------|---------------------|
| | (Unaudited) | (Unaudited) |
| Balance at the beginning of the period / year | 30,629 | 27,629 |
| Charge for the period / year | 3,000 | 3,000 |
| Paid during the period / year | (1,187) | - |
| Balance at the end of the period / year | 32,442 | 30,629 |

b. Status of zakat assessments

The Company submitted the Zakat declarations for the year ended 31 December 2022 and obtained the necessary Zakat certificate.

The ZATCA has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to Saudi Riyals 1.2 million. The assessment was objected, and the objection was rejected by ZATCA. The case was escalated to the Preliminary Committee of the Tax Committees and the final decision regarding the Zakat liability was announced and the management has paid the liability during the period.

The ZATCA raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to Saudi Riyals 14.1 million. The management believes that the provision maintained is adequate to cover any unfavourable outcome.

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

During 2023, the Company has received data requirements from ZATCA pertaining to the year 2021 and 2022 which the Company has submitted during the period.

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16 INSURANCE REVENUE AND EXPENSES

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the three-month and nine-month ended 30 September 2023 and 30 September 2022 is included in following tables respectively. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation.

| | Medical | Motor | Other | Total |
|---|-----------------|------------------|-----------------|------------------|
| Three-month period ended 30 September 2023 (unaudited) | | | | |
| Insurance revenue from contracts measured under PAA | 36,614 | 145,191 | 9,579 | 191,384 |
| Incurred claims and other directly attributable expenses | (23,415) | (117,930) | (2,043) | (143,388) |
| Changes that relate to past service - adjustments to the LIC | 892 | 900 | 374 | 2,166 |
| Losses and reversal of losses on onerous contracts | (145) | 8,701 | - | 8,556 |
| Insurance acquisition cash flows amortisation | (1,543) | (28,406) | 828 | (29,121) |
| Total insurance service expenses | (24,211) | (136,735) | (841) | (161,787) |
| Three-month period ended 30 September 2023 (unaudited) | | | | |
| Reinsurance income / (expenses) - contracts measured under the PAA | | | | |
| Reinsurance premium ceded | 1,977 | (18,494) | (6,897) | (23,414) |
| Claims recovered | 5 | 9,242 | 373 | 9,620 |
| Effect of changes in the risk of reinsurers non-performance | (2) | (8) | (1) | (11) |
| Reversal of losses on onerous contracts | - | (71) | - | (71) |
| Onerous contracts recognized | - | (799) | - | (799) |
| Changes that relate to past service - adjustments to incurred claims | 2 | (2,105) | (108) | (2,211) |
| Reinsurance acquisition cash flows amortisation | - | 208 | 1,764 | 1,972 |
| Total net expenses from reinsurance contracts | 1,982 | (12,027) | (4,869) | (14,914) |
| Insurance service result | 14,385 | (3,571) | 3,869 | 14,683 |
| | Medical | Motor | Other | Total |
| Nine-month period ended 30 September 2023 (unaudited) | | | | |
| Insurance revenue from contracts measured under PAA | 111,505 | 459,973 | 24,722 | 596,200 |
| Incurred claims and other directly attributable expenses | (77,672) | (489,681) | (20,974) | (588,327) |
| Changes that relate to past service - adjustments to the LIC | 18,312 | 99,632 | 16,099 | 134,043 |
| Losses and reversal of losses on onerous contracts | (533) | 17,942 | - | 17,409 |
| Insurance acquisition cash flows amortisation | (23,072) | (65,091) | (5,800) | (93,963) |
| Total insurance service expenses | (82,965) | (437,198) | (10,675) | (530,838) |

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16 INSURANCE REVENUE AND EXPENSES (continued)

Nine-month period ended 30 September 2023
(unaudited)

| | Medical | Motor | Other | Total |
|---|---------------|-----------------|-----------------|-----------------|
| Reinsurance income / (expenses) - contracts measured under the PAA | | | | |
| Reinsurance premium ceded | - | (53,601) | (15,485) | (69,086) |
| Claims recovered | 3,005 | 50,584 | 15,728 | 69,317 |
| Effect of changes in the risk of reinsurers non-performance | - | - | - | - |
| Reversal of losses on onerous contracts | - | (1,794) | - | (1,794) |
| Onerous contracts recognized | - | - | - | - |
| Changes that relate to past service - adjustments to incurred claims | (3,677) | (13,300) | (15,518) | (32,495) |
| Reinsurance acquisition cash flows amortisation | - | 2,405 | 3,725 | 6,130 |
| Total net expenses from reinsurance contracts | (672) | (15,706) | (11,550) | (27,928) |
| Insurance service result | 27,868 | 7,069 | 2,497 | 37,434 |

| | Medical | Motor | Other | Total |
|--|-----------------|------------------|---------------|------------------|
| Three-month period ended 30 September 2022 (unaudited) | | | | |
| Insurance revenue from contracts measured under PAA | 32,688 | 119,899 | 3,032 | 155,619 |
| Incurred claims and other directly attributable expenses | (15,483) | (143,790) | (31,048) | (190,321) |
| Changes that relate to past service - adjustments to the LIC | 1,289 | 31,629 | 46,512 | 79,430 |
| Losses and reversal of losses on onerous contracts | (70) | (13,381) | 1 | (13,450) |
| Insurance acquisition cash flows amortisation | (2,690) | (29,987) | (1,057) | (33,734) |
| Total insurance service expenses | (16,954) | (155,529) | 14,408 | (158,075) |

| | Medical | Motor | Other | Total |
|--|---------------|-----------------|-----------------|-----------------|
| Three-month period ended 30 September 2022 (unaudited) | | | | |
| Reinsurance income contracts measured under the PAA | | | | |
| Reinsurance premium ceded | (345) | (12,501) | (4,532) | (17,378) |
| Claims recovered | (59) | 13,433 | (7,879) | 5,495 |
| Effect of changes in the risk of reinsurers non-performance | - | (1) | - | (1) |
| Reversal of losses on onerous contracts | - | 988 | - | 988 |
| Onerous contracts recognized | - | 349 | - | 349 |
| Changes that relate to past service - adjustments to incurred claims | (100) | (2,283) | (1,726) | (4,109) |
| Reinsurance acquisition cash flows amortisation | - | 865 | 935 | 1,800 |
| Total net expenses from reinsurance contracts | (504) | 850 | (13,202) | (12,856) |
| Insurance service result | 15,230 | (34,780) | 4,238 | (15,312) |

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16 INSURANCE REVENUE AND EXPENSES (continued)

| | Medical | Motor | Other | Total |
|--|-----------------|------------------|----------------|------------------|
| Nine-month period ended 30 September 2022 (unaudited) | | | | |
| Insurance revenue from contracts measured under PAA | 80,359 | 307,348 | 21,971 | 409,678 |
| Incurring claims and other directly attributable expenses | (65,107) | (428,915) | (27,529) | (521,551) |
| Changes that relate to past service - adjustments to the LIC | 22,107 | 82,283 | 32,031 | 136,421 |
| Losses on onerous contracts and reversal of the losses | (480) | (33,371) | 1,182 | (32,669) |
| Insurance acquisition cash flows amortisation | (15,987) | (68,434) | (4,979) | (89,400) |
| Total insurance service expenses | (59,467) | (448,437) | 705 | (507,199) |
| Nine-month period ended 30 September 2022 (unaudited) | | | | |
| Reinsurance income contracts measured under the PAA | | | | |
| Reinsurance premium ceded | (2,095) | (32,402) | (14,266) | (48,763) |
| Claims recovered | 2,500 | 42,510 | 22,249 | 67,259 |
| Effect of changes in the risk of reinsurers non-performance | - | - | - | - |
| Reversal of losses on onerous contracts | - | 2,016 | (210) | 1,806 |
| Onerous contracts recognized | - | 1,342 | - | 1,342 |
| Changes that relate to past service - adjustments to incurred claims | (231) | (6,897) | (13,687) | (20,815) |
| Reinsurance acquisition cash flows amortisation | - | 3,370 | 3,408 | 6,778 |
| Total net expenses from reinsurance contracts | 174 | 9,939 | (2,506) | 7,607 |
| Insurance service result | 21,066 | (131,150) | 20,170 | (89,914) |

17 OTHER INCOME

Other income comprises of income from the Umrah product related to medical, general and accident insurance, under an agreement which was signed between 27 insurance companies. The compulsory Umrah product is offered by the Ministry of Hajj and Umrah and approved by SAMA for Insurance for pilgrims coming from outside the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah.

18 SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company was Saudi Riyals 100 million at September 30, 2023 consisting of 10 million shares (December 31, 2022: Saudi Riyals 100 million consisting of 10 million shares) of Saudi Riyals 10 each.

On 16 August 2022, the shareholders of the Company in an extra-ordinary general meeting approved the decrease in accumulated losses by netting-off with the share capital of Saudi Riyals 150 million and utilize the entire balance of Saudi Riyals 5 million from the statutory reserve. Accordingly, the accumulated losses, share capital and statutory reserve have been reduced by Saudi Riyals 155 million, Saudi Riyals 150 million and Saudi Riyals 5 million respectively. The capital reduction was through reduction of 3 shares for every 5 shares held by the shareholder. The purpose of capital reduction was to restructure the capital position of the Company in line with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

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19 CAPITAL RISK MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement
- Premium solvency margin; or
- Claims solvency margin

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

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

In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial period. For further information, refer note 1.

20 STATUTORY DEPOSIT

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA. The Company has maintained statutory deposit in excess of required limit as it is under the process to increase its paid-up capital through rights issue.

In accordance with the instruction received from SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission due on the statutory deposit as at 30 September 2023 as an asset and a liability in this interim condensed financial information.

21 GROSS WRITTEN PREMIUM

Details relating to gross written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

| Breakdown of GWP | For the three-month period ended 30 September 2023 | | | |
|------------------|--|---------|--------|---------|
| | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Individual | - | 206,360 | 727 | 207,087 |
| Large | 4,502 | 831 | 6,686 | 12,019 |
| Medium | 1,389 | 4,128 | 9,662 | 15,179 |
| Small | 1,611 | 2,203 | 1,707 | 5,521 |
| Very small | 26,892 | 740 | 656 | 28,288 |
| Total | 34,394 | 214,262 | 19,438 | 268,094 |

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21 GROSS WRITTEN PREMIUM (continued)

| | For the nine- month period ended 30 September 2023 | | | |
|------------------|--|----------------|---------------|----------------|
| | (Unaudited) | | | |
| Breakdown of GWP | Medical | Motor | Others | Total |
| Individual | - | 407,463 | 2,109 | 409,572 |
| Large | 17,049 | 5,270 | 13,473 | 35,792 |
| Medium | 3,913 | 18,471 | 14,886 | 37,270 |
| Small | 6,216 | 13,757 | 5,570 | 25,543 |
| Very small | 76,565 | 1,437 | 1,405 | 79,407 |
| Total | 103,743 | 446,398 | 37,443 | 587,584 |

| | For the three-month period ended 30 September 2022 | | | |
|------------------|--|----------------|--------------|----------------|
| | (Unaudited) | | | |
| Breakdown of GWP | Medical | Motor | Others | Total |
| Individual | - | 181,450 | 930 | 182,380 |
| Large | 2,726 | 2,811 | 2,579 | 8,116 |
| Medium | 1,382 | 6,632 | 1,584 | 9,598 |
| Small | 3,073 | 3,994 | 728 | 7,795 |
| Very small | 33,051 | 603 | 829 | 34,483 |
| Total | 40,232 | 195,490 | 6,650 | 242,372 |

| | For the nine- month period ended 30 September 2022 | | | |
|------------------|--|----------------|---------------|----------------|
| | (Unaudited) | | | |
| Breakdown of GWP | Medical | Motor | Others | Total |
| Individual | - | 429,491 | 2,972 | 432,463 |
| Large | 9,316 | 5,995 | 7,086 | 22,397 |
| Medium | 3,715 | 15,171 | 3,574 | 22,460 |
| Small | 8,473 | 9,790 | 2,905 | 21,168 |
| Very small | 80,427 | 1,470 | 1,816 | 83,713 |
| Total | 101,931 | 461,917 | 18,353 | 582,201 |

22 NET WRITTEN PREMIUM

Details relating to net written premium are disclosed below to comply with the requirements of SAMA and are not calculated as per the requirements of IFRS 17.

| | For the three- month period ended 30 September 2023 | | | |
|---|---|----------------|--------------|----------------|
| | (Unaudited) | | | |
| Item | Medical | Motor | Others | Total |
| Gross written premium | 34,394 | 214,262 | 19,438 | 268,094 |
| Reinsurance premium ceded – globally (including excess of loss) | (957) | (22,464) | (11,594) | (35,015) |
| Reinsurance premium ceded – locally (including excess of loss) | - | (5,660) | (1,996) | (7,656) |
| Net written premium - total | 33,437 | 186,138 | 5,848 | 225,423 |

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22 NET WRITTEN PREMIUM (continued)

| For the nine- month period ended 30 September 2023 | | | | |
|---|--------------------|-----------------|-----------------|-----------------|
| Item | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Gross written premium | 103,743 | 446,398 | 37,442 | 587,583 |
| Reinsurance premium ceded – globally (including excess of loss) | (2,932) | (48,682) | (21,381) | (72,995) |
| Reinsurance premium ceded – locally (including excess of loss) | - | (5,822) | (3,048) | (8,870) |
| Net written premium - total | 100,811 | 391,894 | 13,013 | 505,718 |
| For the three- month period ended 30 September 2022 | | | | |
| Item | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Gross written premium | 40,232 | 195,490 | 6,650 | 242,372 |
| Reinsurance premium ceded – globally (including excess of loss) | (345) | (20,350) | (5,111) | (25,806) |
| Reinsurance premium ceded – locally (including excess of loss) | - | (44) | (457) | (501) |
| Net written premium - total | 39,887 | 175,096 | 1,082 | 216,065 |
| For the nine- month period ended 30 September 2022 | | | | |
| Item | (Unaudited) | | | |
| | Medical | Motor | Others | Total |
| Gross written premium | 101,931 | 461,917 | 18,353 | 582,201 |
| Reinsurance premium ceded – globally (including excess of loss) | (1,993) | (48,099) | (12,662) | (62,754) |
| Reinsurance premium ceded – locally (including excess of loss) | (102) | (106) | (947) | (1,155) |
| Net written premium - total | 99,836 | 413,712 | 4,744 | 518,292 |

23 SENSITIVITY OF ASSUMPTIONS

The risks under insurance contracts and the risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2022. The Company believes that the claim liabilities under insurance contracts outstanding at the reporting periods below are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the interim condensed financial information. The insurance results are sensitive to various assumptions. It has not been possible to quantify the sensitivity specific variable such as legislative changes or uncertainties in the estimation process.

| | For the nine- month period ended | |
|---|---|--------------------------|
| | 30 September 2023 | 30 September 2022 |
| Impact on equity and net income of change in claims ratio | | |
| 5% Increase | (6,455) | (14,738) |
| 5% Decrease | 1,668 | 14,825 |
| Impact on equity and net income of change in direct expense ratio – loss component | | |
| 2% Increase | (667) | (5,863) |
| 2% Decrease | 667 | 5,970 |
| Impact on equity and net income of change in risk adjustment | | |
| 5% Increase | (193) | (179) |
| 5% Decrease | 193 | 179 |

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24 BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Basic and diluted earnings per share from shareholders' income / (loss) is calculated by dividing net profit / (loss) for the period by weighted average number of ordinary shares outstanding during the period.

25 SUBSEQUENT EVENTS

Except for subsequent event mentioned elsewhere in this interim condensed financial information, there are no other significant subsequent event occurred between 30 September 2023 and the date of approval of this interim condensed financial information, which may have material impact on this interim condensed financial information.

26 APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information has been approved by the Board of Directors on 31 October 2023, corresponding to 16 Rabi ul Thani 1445H.