SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Saudi Enaya Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk for corporate segment amounts to SR 45.878 million and SR 0.769 million (2022: SR 37.176 million and SR 1.135 million) respectively, and estimate of present value of cash flows and risk adjustment for non-financial risk for SMEs and others segment amounts to SR 43.828 million and SR 0.718 million (2022: SR 50.292 million and SR 1.713 million) respectively, as reported in note 14 to the financial statements. The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The present value of future cash flows are based on the best estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cashflows and the risk adjustment for non-financial risk by comparing it to the accounting and other records. • Involved our actuarial specialists to assess the Company's methods and assumptions and evaluate the Company's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	**How our audit addressed the key audit matter**
Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter. *Refer to notes 3(b)(i) for the accounting policy and significant accounting judgements, estimates and assumptions adopted by the Company, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 14 for the movement in insurance contract liabilities.*	i. Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We tested these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.
Adoption of IFRS 17 and IFRS 9 During the year the Company has adopted IFRS 17 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 17), which replaces IFRS 4 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 4) 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. The Company has applied the full retrospective approach to each group of insurance contracts. The adoption of IFRS 17 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to SR 4.241 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.	We performed the following procedures: • Obtained an understanding of the Company's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Company's accounting policies, systems, processes and controls. • Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the premium allocation approach under IFRS 17 was appropriate. • Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses. • Evaluated the risk adjustment for non financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting the adjustment.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Further, during the year the Company also adopted IFRS 9 "Financial Instruments", as endorsed in the Kingdom of Saudi Arabia which replaces IAS 39 "Financial Instruments: Recognition and Measurement", as endorsed in the Kingdom of Saudi Arabia . The Company has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Company applied a retrospective approach to be in line with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The adoption of IFRS 9 resulted in a transition adjustment to the Company's equity as at 1 January 2022 amounting to SR 0.5 million. IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Company's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Company's financial assets. Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Company along with significant changes to presentation and disclosures that were required in the financial statements for the year ended 31 December 2023, we have considered this as a key audit matter. *Refer to note 3(b)(i) and 3(b)(ii) for accounting policy and significant accounting judgements, estimates and assumptions adopted by the Company. The impact of transition is explained in note 4 to the financial statements.*	• Evaluated and assessed management's conclusions regarding the Company's business model for different portfolios of investments and the appropriateness of the Company's determination of ECL under IFRS 9. • Assessed the adequacy of the transition adjustments impact for both IFRS 17 and IFRS 9 on the opening accumulated losses as at 1 January 2022. • Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in the financial statements. • Assessed the Company's methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial and accounting specialists and experts.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of the Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activity within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We solely remain responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For El Sayed El Ayouty & Co.
Certified Public Accountants
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Jeddah 21421
Kingdom of Saudi Arabia

A. Balamesh

Abdullah Ahmed Balamesh
Certified Public Accountant
License No. 345

Crowe Solutions For Professional Consulting
P. O. Box 10504
Riyadh 11443
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Abdullah M. AlAzem
Certified Public Accountant
License No. 335

20 March 2024
10 Ramadan 1445H
Jeddah, Kingdom of Saudi Arabia

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	31 December 2023	31 December 2022 Restated (Note 4)	01 January 2022 Restated (Note 4)
			SAR '000	
ASSETS				
Cash and cash equivalents	6	**23,334**	156,721	158,696
Short term Murabaha deposits	7	**248,264**	134,546	77,866
Investments	8	**1,554**	1,133	1,668
Property and equipment, net	9	**798**	1,467	1,523
Intangible assets, net	10	**792**	794	899
Right of use assets, net	11.1	**341**	1,115	679
Statutory deposit	12	**34,500**	34,500	22,500
Accrued income on statutory deposit		**1,921**	5,012	4,545
Prepaid expenses and other assets	13	**28,296**	25,455	11,637
TOTAL ASSETS		**339,800**	360,743	280,013
LIABILITIES				
Insurance contract liabilities	14	**124,788**	160,522	196,097
Accrued income payable to Insurance Authority		**1,921**	5,012	4,545
Accrued expenses and other liabilities		**2,188**	4,503	3,137
Lease liabilities	11.2	**-**	776	2,250
Employees' end of service benefits	16	**5,228**	5,172	5,787
Provision for Zakat and income tax	20	**14,918**	14,696	13,250
TOTAL LIABILITIES		**149,043**	190,681	225,066
EQUITY				
Share capital	21	**230,000**	230,000	150,000
Accumulated losses		**(41,823)**	(62,045)	(95,986)
Re-measurement reserve for employees' end of service benefits – related to insurance operations	16	**2,580**	2,107	933
TOTAL EQUITY		**190,757**	170,062	54,947
TOTAL LIABILITIES AND EQUITY		**339,800**	360,743	280,013
Commitments and contingencies	15	**-**	-	-

Board Member

Chief Executive Officer

Acting Chief Financial Officer

The accompanying notes from 1 – 30 form an integral part of these financial statements.

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022 Restated (Note 4)
		SAR '000	
Insurance revenue	14	**250,880**	226,930
Insurance service expenses	14	**(236,195)**	(233,781)
Net insurance service result		**14,685**	(6,851)
Investment income			
Interest revenue from financial asset not measured at fair value through profit or loss		**14,427**	5,193
Net gains on fair value through profit or loss investments	8	**421**	131
Net credit risk / (reversal) on financial assets		**766**	(348)
Net investment income		**15,614**	4,976
Net insurance and investment result		**30,299**	(1,875)
Other operating expenses	23	**(14,625)**	(10,333)
Other income	24	**5,010**	7,299
Income / (loss) attributed to shareholders before zakat and income tax		**20,684**	(4,909)
Zakat charge	20	**(397)**	(1,446)
Income tax charge	20	**(65)**	-
Net income / (loss) attributed to the shareholders after zakat and income tax		**20,222**	(6,355)
Weighted average number of ordinary shares outstanding (in thousands shares)	26	**23,000**	13,642
Basic and diluted earnings / (loss) per share (SR / share)	26	**0.88**	(0.47)

Board Member

Chief Executive Officer

Acting Chief Financial Officer

The accompanying notes from 1 – 30 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022 Restated (Note 4)
	SAR '000	
OTHER COMPREHENSIVE INCOME		
Net income / (loss) attributed to the shareholders after zakat and income tax	**20,222**	(6,355)
Items that will not be reclassified to statement of Income in subsequent years		
Actuarial gain on employees' end of service benefits	**473**	1,174
Total comprehensive income / (loss) for the year	**20,695**	(5,181)

Board Member

Chief Executive Officer

Acting Chief Financial Officer

The accompanying notes from 1 – 30 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Accumulated losses	Re-measurement reserve of end of service benefits – related to insurance operations	Total equity
		SAR '000		
Balance as at 31 December 2022	**230,000**	**(62,045)**	**2,107**	**170,062**
Net income attributed to the shareholders after zakat and income tax	**-**	**20,222**	**-**	**20,222**
Other comprehensive income	**-**	**-**	**473**	**473**
Total comprehensive income for the year	**-**	**20,222**	**473**	**20,695**
Balance as at 31 December 2023	**230,000**	**(41,823)**	**2,580**	**190,757**
Balance as at 31 December 2021 as previously presented	150,000	(91,245)	933	59,688
Impact of adopting IFRS 17	-	(4,241)	-	(4,241)
Impact of adopting IFRS 9	-	(500)	-	(500)
Restated balance as at 1 January 2022 (note 4)	150,000	(95,986)	933	54,947
Reduction of share capital	(50,000)	50,000	-	-
Issuance of right shares	130,000	-	-	130,000
Transaction cost of capital movement		(9,704)		(9,704)
Net loss attributed to the shareholders after zakat and income tax	-	(6,355)	-	(6,355)
Other comprehensive income	-	-	1,174	1,174
Total comprehensive loss for the year	-	(6,355)	1,174	(5,181)
Balance as at 31 December 2022	230,000	(62,045)	2,107	170,062

Board Member

Chief Executive Officer

Acting Chief Financial Officer

The accompanying notes from 1 – 30 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022 Restated (Note 4)
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) attributed to shareholders before zakat and income tax		**20,684**	(4,909)
Adjustments for non-cash items:			
Depreciation of property and equipment	9	**702**	760
Amortization of intangible assets	10	**473**	349
Depreciation of right of use assets	11	**774**	1,112
Reversal of lease liability	11	**-**	(2,250)
Finance cost on lease liabilities	11	**24**	28
(Provision) / reversal of impairment		**(745)**	782
Realized gain on investments		**-**	(2)
Unrealized gain on investments	8	**(421)**	(129)
Provision for employees' end of service benefits	16	**1,111**	1,085
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**(2,822)**	(13,835)
Accrued expenses and other liabilities		**(2,315)**	1,366
Insurance contract liabilities		**(35,734)**	(35,575)
Cash used in operating activities		**(18,269)**	(51,218)
Employees' end of service beneifts paid		**(582)**	(526)
Zakat paid	20	**(240)**	-
Net cash used in operating activities		**(19,091)**	(51,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		**-**	666
Placement in short term Murabaha deposits		**(248,345)**	(135,353)
Proceeds from maturity of short-term Murabaha deposits	7	**135,353**	77,908
Increase in statutory deposit		**-**	(12,000)
Purchase of intangible assets	10	**(471)**	(244)
Purchase of property and equipment	9	**(33)**	(704)
Net cash used in investing activities		**(113,496)**	(69,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of right shares		**-**	130,000
Transaction cost of capital movement		**-**	(9,704)
Payment of lease liabilities	11	**(800)**	(800)
Net cash (used in) / generated from financing activities		**(800)**	119,496
Net change in cash and cash equivalents		**(133,387)**	(1,975)
Cash and cash equivalents, beginning of the year		**156,721**	158,696
Cash and cash equivalents, end of the year		**23,334**	156,721

Board Member

Acting Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 30 form an integral part of these financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

Building No. 7521
Al Fakhr, Al Khalidiya District
P.O. Box 3732
Jeddah 23423
Kingdom of Saudi Arabia
Following is the branch of the Company:

Branch	***Commercial Registration Number:***
Riyadh	1010421871

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

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

On 11 Jamada Al-Awwal 1444H corresponding to 05 December 2022, the Company signed a non-binding Memorandum of Understanding ("MOU") with United Cooperative Assurance Company ("UCA") to evaluate a potential merger between the two companies. On 27 Sha'ban 1444H (corresponding to 19 March 2023), the Company received no objection from General Authority for Competition to an Economic Concentration process through merger transaction of the Company with UCA. On 11 Thul Qaedah 1444H corresponding to 31 May 2023, the Company announced that it has signed a binding merger agreement with UCA. Whereas Board of Directors of both companies had reached an agreement regarding the conditions under which the company will be merged into UCA.

The Company announced the issuance of the Approval of the Saudi Central Bank on 01 Rabi Al-Thani 1445H (corresponding to 16 October 2023) on the potential Merger. On 21 Jumada Al-Awwal 1445H corresponding to 5 December 2023, a resolution was passed in the extra ordinary general assembly meeting to disapprove the terms of the merger agreement entered between the Company and UCA.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by Saudi Organisation for Chartered and Professional Accountants ("SOCPA") ("IFRS as endorsed by SOCPA"). The Company adopted IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia and the resultant changes to the material accounting policies are described in Note 3 and Note 4.

2. BASIS OF PREPARATION – (continued)

(a) Statement of compliance – (continued)

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through profit or loss (FVTPL) and measurement of employees' end of service benefits recognised at the present value of future obligations. The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term murabaha deposits, prepaid expenses and other assets, insurance contract liabilities, accrued expenses and other liabilities and zakat and income tax. The following balances would generally be classified as non-current: Employees' end of service beneifts, lease liabilities, accrued commission income payable to Insurance Authority, accrued commission income on statutory deposit, investments, statutory deposit, property and equipment – net, intangible assets – net and right of use assets – net.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the supplementary information accordingly (note 28). Assets, liabilities, revenues, and expenses clearly attributable to either activity is recorded in the respective accounts. Similarly, in the past, the Company's annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. The basis of the allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 64 to 66 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by Insurance Authority ("IA") implementing regulations. IA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statement of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for transactions and events in similar circumstances.

(b) Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest thousands, except where otherwise indicated.

(c) Fiscal year

The Company follows a fiscal year ending December 31.

2. BASIS OF PREPARATION – (continued)

(d) Use of judgments and estimates

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

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

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

i. Estimates of future cash flows to fulfil insurance contracts

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

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

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

Judgement is involved in assessing the most appropriate method to estimate the risk adjustment for non-financial risk.

iii. Definition and classification

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

- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk.
- For insurance contracts with a coverage year of more than one year and for which the entity applies the Premium Allocation Approach (PAA), the eligibility assessment as required by paragraphs 53(a),54, 69(a) and 70 of IFRS 17 and might involve significant judgement.

iv. Unit of account

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

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

v. Insurance contracts aggregation

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

2. BASIS OF PREPARATION – (Continued)

(d) Use of judgments and estimates – (Continued)

v. Insurance contracts aggregation – (Continued)

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

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

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.

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

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

vi. Recognition and derecognition

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

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

vii. Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage year. Where features such as options and guarantees are included in the insurance contracts, judgement might be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

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

viii. Financial performance

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

2. BASIS OF PREPARATION – (Continued)

(d) Use of judgments and estimates – (Continued)

***viii. Financial performance* – (Continued)**

An entity might apply judgement to determine whether the treatment of certain consequential insurance risks within liability for remaining coverage (LRC) or liability for incurred claims (LIC) reflects the most useful information about the insurance services provided by the entity to the policyholder.

(e) Seasonality of operations

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

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

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

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Amendments to IAS 1 – Non- current Liabilities with Covenants.

Amendments to IAS 12 – international tax reform – pillar two model rules

IFRS 17 – Insurance contracts (refer 3(b)(i))
IFRS 9 – Financial instruments (refer 3(b)(ii))

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

(b) Material accounting policies, including key judgments and estimates

(i) IFRS 17 - accounting policies, including key judgments and estimates

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual years 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"). The Company has applied the full retrospective approach to each group of insurance contracts.

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

<u>Unit of account and measurement model</u>

The Company operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. The PMI business is further divided as Corporate, SMEs and Others based on customer size. All insurance contracts within PMI line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous.

This level of granularity determines sets of contracts. The Company uses 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 General Measurement Model ("GMM") is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
  - Discounted estimates of future cash flows.; and
  - A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

The Premium Allocation Approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the PAA provides a measurement which is not materially different from that under the general measurement model or if the coverage year of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage year based on the passage of time.

The Company uses the PAA for measuring contracts with a coverage year of one year or less. The Company is adopting the PAA measurement model for the measurement of LRC for the whole PMI business. This is principally based on the eligibility test for fulfillment cash flows and that coverage year for most contracts is one year or less. Some contracts have coverage year more than one year but passed the eligibility test.

Initial and subsequent measurement

Groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage year;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

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

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

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
a). increased for premiums received in the year, excluding amounts that relate to premium receivables included in the LIC.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

b) decreased for insurance acquisition cash flows paid in the year.
c) decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the year; and
d) increased for the amortization of insurance acquisition cash flows in the year recognized as insurance service expenses.

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on the Company's assessment, there are no investment components within insurance contracts issued by the Company.

Only contracts that individually meet the recognition criteria by the end of the reporting year are included in the Company. When contracts meet the recognition criteria in the Company after the reporting date, they are added to the Company in the reporting year in which they meet the recognition criteria, subject to the annual cohort's restriction. The composition of the Company is not reassessed in subsequent years.

Liability for Incurred Claims "LIC"

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfills its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company presents the entire change in risk adjustment as part of insurance service results.

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

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

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

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month year.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes to settle claims from the date they are incurred. The Company has elected the accounting policy choice to present entire insurance finance income or expense for the year in the statement of income.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the year in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

(i) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

(ii) both of the following criteria are satisfied:

- the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to years beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

Insurance acquisition costs

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition costs fall under the insurance service expense. The Company amortizes the insurance acquisition costs over the contract year.

Directly attributable expenses

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers. Attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Other operating expenses

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

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Insurance revenue

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

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

Insurance service expenses

Insurance service expenses include the following:

a. incurred claims for the year.

b. other incurred directly attributable expenses.

c. insurance acquisition cash flows amortization.

d. changes that relate to past service – changes in the FCF relating to the LIC.

e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract

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. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to the statement of income over the coverage year to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Risk adjustment for non-financial risk

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

ii) IFRS 9 – accounting policies, including key judgments and estimates

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

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets at amortized cost

Debt Instruments:

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

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company’s management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets at FVTPL (continued)

- the frequency, volume, and timing of sales in prior years, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular year and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All regular-way purchases and sales of financial assets are initially recognized and derecognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Debt instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the statement of income and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of income and presented net within other gains/(losses) in the year in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates

(ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Measurement (continued)

Dividends from such investments continue to be recognized in the statement of income as investment income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in investment income in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – Impairment

<u>Overview of Expected Credit Loss ("ECL") principles</u>

The 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 the 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.

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss is recognized on equity instruments.

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

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

The Company considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Company. For investment in debt securities, if the Days Past Due ('DPD') is 0, then investment is considered as Stage 1 and if the DPD is more than 0, investment is considered as Stage 3.

<u>Staging of financial assets</u>

The Company categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition.

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates (continued)

(ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Credit impaired financial asset

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event (more than 90 days).
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness, as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Company considers indicators that are:

- qualitative- e.g., breaches of covenant and non-payment on another obligation of the same issuer to the Company.
- quantitative- e.g., overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

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 at an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolios, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

3. MATERIAL ACCOUNTING POLICIES – (continued)

(b) Material accounting policies, including key judgments and estimates (continued)

(ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

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 reviews macro-economic developments occurring in the economy and market it operates in. On a yearly basis, the Company analyzes the relationship between key economic trends with the estimate of PD. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents the most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Yearly, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

Classification and derecognition of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate ("EIR"). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of income. The Company derecognizes financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity years not exceeding three months from the date of acquisition.

3. MATERIAL ACCOUNTING POLICIES (continued)

(b) Material accounting policies, including key judgments and estimates (continued)

(iv) Property and equipment

Property and equipment are initially recorded in the statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Furniture, fittings, and office equipment	4-10
Computer equipment	4
Motor vehicles	5
Leasehold improvements	3 Years or lease term

Residual values, useful lives and the methods of depreciation are reviewed and adjusted as appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognized in the statement of income on an actual basis. Similarly, impairment losses, if any, are recognized in the statement of income.

Expenditure for repairs and maintenance is charged to the statement of income. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain / loss on sale of fixtures, furniture and equipment and Right-of-use assets is included in statement of income.

(v) Intangible assets

Separately acquired intangible assets (software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the following years:

	Years
IT development and software	4

(vi) Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(vii) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

(viii) Provision for end-of-service benefits

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting year using the projected unit credit method. Consideration is given to the expected future wages and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of other comprehensive income..

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

(ix) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(x) De-recognition

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired.

(xi) Revenue recognition

Investment and commission income

Investment income or loss comprises of unrealized and realized gains and losses on investments. Commission income on term deposits is recognized using the effective interest method in the statement of income.

Other revenues

Other revenue represents revenue generated from operations of Saudi Enaya for Third Party Administration through claims management and handling services. The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. Accordingly, the Company recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer. Revenue primarily represents services revenue. Revenue from providing services is recognized in the accounting year in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting year because the customer receives and uses the benefits simultaneously. This is determined by multiplying the number of members served with a fixed and pre-agreed rate with the customer in accordance with the terms of the contract. Customers are invoiced on a monthly basis and consideration is payable when invoiced. There were no contract assets or contract liabilities at the end of the reporting year as all services provided were already invoiced and there were no advance payments from customers as at that date.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

(xii) Leases Right-of-use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Company applies the cost model, and measure right of use asset at cost;

a. less any accumulated amortization and any accumulated impairment losses; and
b. adjusted for any re-measurement of the lease liability for lease modifications.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, generally, the initial carrying value of a right-of-use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. it needs to be added to the right of use asset value.

The recognized right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. right-of-use assets are subject to impairment. The estimated useful lives of the assets for the calculation of amortization are as follows:

	Years
Right-of-use assets	Lease term

Lease Liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

xiii) Zakat and income tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority (“ZATCA”). Zakat is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xiii) Zakat and income tax (continued)

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting year and generate taxable income. Management yearly evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

xiv) Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to the statement of income.

xv) Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

xvi) Cash dividends to shareholders

The Company recognizes the liability for cash distributions to shareholders of the Company when the distribution is authorized and is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders and Insurance Authority. A corresponding amount is recognized in equity.

xvii) Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES

As stated in note 2, these financial statements are prepared in accordance with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. The Company has adopted IFRS 17 and IFRS 9 from its effective date i.e., 1 January 2023.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2023 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position on 1 January 2022 (the Company's date of transition) and 31 December 2022.

In preparing the opening IFRS 17 and IFRS 9 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39 respectively.

Reclassification impact on the statement of financial position on adoption of IFRS 17

Presentation changes in the statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserve are presented together by portfolio on a single line called insurance contract liabilities.

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

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

Impact on Equity:

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 as at 1 January 2022
Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins	*Decrease by SAR 3.6 million*
Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular	*Decrease by SAR 3.6 million*
Impact of additional expenses classified as IFRS 17 acquisition costs to be deferred	*Increase by SAR 3 million*
Total Impact	***Decrease by SAR 4.2 million***

Impact on Liabilities and Assets:

	Impact on transition to IFRS 17 as at 1 January 2022
Liabilities	
Reclassification of items disclosed as separate line items under IFRS 4	*Decrease by SAR 65.4 million*
Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins	*Increase by SAR 3.6 million*
Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular	*Increase by SAR 3.6 million*
Impact of additional expenses classified as IFRS 17 acquisition costs to be deferred	*Decrease by SAR 3 million*
Total Impact on Liabilities	***Decrease by SAR 61.2 million***
Assets	
Reclassification of items disclosed as separate line items under IFRS 4	*Decrease by SAR 65.4 million*
Total Impact on Assets	***Decrease by SAR 65.4 million***

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reclassification impact on the statement of financial position on adoption of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities, inclusive of the expected credit losses, as at 1 January 2022:

Particulars	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets:			SAR '000	
Cash and cash equivalents	Amortized Cost	Amortized Cost	159,152	158,696
Short term Murabaha deposits	Amortized Cost	Amortized Cost	77,908	77,866
Investment in mutual funds	Fair value through P&L	Fair value through P&L	1,668	1,668
Statutory deposit	Amortized Cost	Amortized Cost	22,500	22,500
Accrued income on statutory deposit	Amortized Cost	Amortized Cost	4,545	4,545
Prepaid expenses and other assets	Amortized Cost	Amortized Cost	11,639	11,637

The financial assets are mainly classified as amortized cost since they meet the criteria of held to collect business model, except for investment in mutual funds which is classified at Fair Value Through Profit and Loss (FVTPL). There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9.

Impairment of financial assets

The following table reconciles the impairment allowance and provision recorded as per the requirements of IAS 39 as at 31 December 2021 to opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2022. At the transition date and at the reporting date all financial assets were in Stage 1.

Particulars	31 Dec 2021 (IAS 39)	Re-classification	Re-measurement	1 Jan 2022 (IFRS 9)
		(SAR '000)		
Financial assets at amortized cost (IFRS 9)				
Impairment on short term Murabaha deposits	-	-	42	42
Impairment on cash and cash equivalents	-	-	456	456
Prepaid expenses and other assets	-	-	2	2
Impairment on statutory deposit	-	-	-	-
Financial assets at FVTPL (IFRS 9)	-	-	-	-
Impairment on investment in mutual funds	-	-	-	-
Total	**-**	**-**	**500**	**500**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of financial position as at 1 January 2022.

	1 January 2022					
	Pre-adoption of IFRS 17 & IFRS 9	**IFRS 17**		**IFRS 9**		**Post adoption of IFRS 17 & IFRS 9**
		Reclassification	**Remeasurement**	**Reclassification**	**Remeasurement**	
			(SAR '000)			
ASSETS						
Cash and cash equivalents	159,152	-	-	-	(456)	158,696
Premiums receivable – net	58,486	(58,486)	-	-	-	-
Deferred policy acquisition costs	6,926	(6,926)	-	-	-	-
Short term Murabaha deposit	77,908	-	-	-	(42)	77,866
Investments	1,668	-	-	-	-	1,668
Prepaid expenses and other assets	11,639	-	-	-	(2)	11,637
Property and equipment, net	1,523	-	-	-	-	1,523
Right of use assets – net	899	-	-	-	-	899
Intangible assets – net	679	-	-	-	-	679
Statutory deposit	22,500	-	-	-	-	22,500
Accrued commission income on statutory deposit	4,545	-	-	-	-	4,545
TOTAL ASSETS	**345,925**	**(65,412)**	**-**	**-**	**(500)**	**280,013**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of financial position as at 1 January 2022 (continued)

	1 January 2022					
		IFRS 17		IFRS 9		
	Pre-adoption of IFRS 17 & IFRS 9	Reclassification	Remeasurement	Reclassification	Remeasurement	Post adoption of IFRS 17 & IFRS 9
	(SAR '000)					
LIABILITIES						
Accrued expenses and other liabilities	54,209	(51,072)	-	-	-	3,137
Insurance contract liabilities	-	191,856	4,241	-	-	196,097
Lease liability	2,250	-	-	-	-	2,250
Unearned premiums	108,727	(108,727)	-	-	-	-
Outstanding claims	46,806	(46,806)	-	-	-	-
Claims incurred but not reported	15,745	(15,745)	-	-	-	-
Premium deficiency reserve	34,527	(34,527)	-	-	-	-
Other technical reserves	391	(391)	-	-	-	-
Employees' end of service benefits	5,787	-	-	-	-	5,787
Zakat and income tax provision	13,250	-	-	-	-	13,250
Accrued commission income payable to Insurance Authority	4,545	-	-	-	-	4,545
TOTAL LIABILITIES	**286,237**	**(61,171)**	**4,241**	**-**	**-**	**225,066**
EQUITY						
Share capital	150,000	-	-	-	-	150,000
Accumulated losses	(91,245)	-	(4,241)	-	(500)	(95,986)
Re-measurement reserve for employees' end of service benefits	933	-	-	-		933
TOTAL EQUITY	**59,688**	**-**	**(4,241)**		**(500)**	**54,947**
TOTAL LIABILITIES AND EQUITY	**345,925**	**(65,412)**	-	-	**(500)**	**280,013**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of financial position as at 31 December 2022.

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	**IFRS 17 Reclassification**	**IFRS 17 Remeasurement**	**IFRS 9 Reclassification**	**IFRS 9 Remeasurement**	**Post adoption of IFRS 17 & IFRS 9**
	(SAR '000)					
ASSETS						
Cash and cash equivalents	156,742	-	-	-	(21)	156,721
Premiums receivable – net	63,372	(63,372)	-	-	-	-
Deferred policy acquisition costs	6,025	(6,025)	-	-	-	-
Short term Murabaha deposit	135,353	-	-	-	(807)	134,546
Investments	1,133	-	-	-	-	1,133
Prepaid expenses and other assets	25,474	-	-	-	(19)	25,455
Property and equipment, net	1,467	-	-	-	-	1,467
Right-of-use assets – net	1,115	-	-	-	-	1,115
Intangible assets – net	794	-	-	-	-	794
Statutory deposit	34,500	-	-	-	-	34,500
Accrued commission income on statutory deposit	5,012	-	-	-	-	5,012
TOTAL ASSETS	**430,987**	**(69,397)**	**-**	**-**	**(847)**	**360,743**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of financial position as at 31 December 2022 (continued)

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR '000)					
LIABILITIES						
Accrued expenses and other liabilities	43,370	(38,867)	-	-	-	4,503
Insurance contract liabilities	-	159,854	668	-	-	160,522
Lease liability	776	-	-	-	-	776
Unearned premiums	108,554	(108,554)	-	-	-	-
Outstanding claims	38,450	(38,450)	-	-	-	-
Claims incurred but not reported	23,672	(23,672)	-	-	-	-
Premium deficiency reserve	19,279	(19,279)	-	-	-	-
Other technical reserve	429	(429)	-	-	-	-
Employees' end of service benefits	5,172	-	-	-	-	5,172
Zakat and income tax provision	14,696	-	-	-	-	14,696
Accrued commission income payable to Insurance Authority	5,012	-	-	-	-	5,012
TOTAL LIABILITIES	**259,410**	**(68,729)**	**668**	**-**	**-**	**190,681**
EQUITY						
Share capital	230,000	-	-	-	-	230,000
Accumulated losses	(60,530)	-	(668)	-	(847)	(62,045)
Re-measurement reserve for employees' end of service benefits	2,107	-	-	-	-	2,107
TOTAL EQUITY	**171,577**	**-**	**(668)**		**(847)**	**170,062**
TOTAL LIABILITIES AND EQUITY	**430,987**	**(69,397)**	**-**	**-**	**(847)**	**360,743**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of income for the year ended 31 December 2022

Reclassification impact on statement of income on adoption of IFRS 17

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

- Gross premiums written
- Changes in unearned premiums – net
- Gross claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Changes in claims handling reserves
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Other income – net
- Income/loss attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Other operating expenses

Remeasurement impact on statement of comprehensive income on adoption of IFRS 17 for the year ended 31 December 2022

The remeasurement impact in the statement of comprehensive income on adoption of IFRS 17 is on account of the following:

- Adjustment to technical provisions for the impact of difference between the IFRS 17 Risk adjustment for non-financial risk and the IFRS 4 prudence margins - increase by SR 2,335,473.
- Recognition of onerous contracts at inception given that level of aggregation under IFRS 17 is more granular - increase by SR 2,771,779; and
- Impact of additional expenses classified as IFRS 17 acquisition cost to be deferred - decrease by SR 4,092,489.

Reclassification impact on statement of comprehensive income on adoption of IFRS 9 for the year ended 31 December 2022

- Net impairment loss under IFRS 9 is disclosed separately on the statement of income. Under IAS 39, impairment loss was disclosed as part of investment income.
- Investment income on financial assets at amortized costs and on financial assets at fair value are shown separately on the statement of income instead of presented previously as one line item.

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of income for the year ended 31 December 2022

	31 December 2022 (Restated)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR '000)					
REVENUES						
Gross premiums written	227,474	(227,474)	-	-	-	-
Net premiums written	**227,474**	**(227,474)**	-	-	-	-
Changes in unearned premiums – net	173	(173)	-	-	-	-
Net premiums earned	**227,647**	**(227,647)**	-	-	-	-
Insurance revenue	-	227,797	(867)	-	-	226,930
Insurance service expense	-	(238,222)	4,441	-	-	(233,781)
Insurance service result	**-**	**(10,425)**	**3,574**	**-**	**-**	**(6,851)**
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	(196,730)	196,730	-	-	-	-
Net claims paid	**(196,730)**	**196,730**	-	-	-	-
Changes in outstanding claims	8,356	(8,356)	-	-	-	-
Changes in claims incurred but not reported	(7,927)	7,927	-	-	-	-
Net claims incurred	**(196,301)**	**196,301**	-	-	-	-
Changes in premium deficiency reserve	15,248	(15,248)	-	-	-	-
Changes in claims handling reserves	(38)	38	-	-	-	-
Policy acquisition costs	(13,859)	13,859	-	-	-	-
Other Underwriting cost	(14,871)	14,871	-	-	-	-
Total underwriting costs & expenses	**(209,821)**	**209,821**	-	-	-	-

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of income for the year ended 31 December 2022 (continued)

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR '000)					
Investment income						
Interest revenue from financial asset not measured at FVTPL	-	-	-	5,193	-	5,193
Net gains on FVTPL investments	-	-	-	131	-	131
Net credit reversal / (impairment) on financial assets	-	-	-	-	(348)	(348)
NET UNDERWRITING INCOME / NET INSURANCE AND INVESTMENT RESULTS	**17,826**	**(28,251)**	**3,574**	**5,324**	**(348)**	**(1,875)**
Other operating income / (expenses)						
Allowance for doubtful receivables	150	(150)	-	-	-	-
General and administrative expenses	(38,734)	38,734	-	-	-	-
Investment income – net	5,193	-	-	(5,193)	-	-
Unrealized Gain	129	-	-	(129)	-	-
Realized Gain	2	-	-	(2)		
Other income – net	7,299	-	-	-	-	7,299
Total other operating income / (expenses)	**(25,961)**	**25,961**	**-**	**(5,324)**	**-**	**-**
Income before zakat & income tax	**(8,135)**	**10,333**	**3,574**	**-**	**(348)**	**5,424**
Other operating expenses	-	(10,333)	-	-	-	(10,333)
Net Income attributed to shareholders before zakat and income tax	**(8,135)**	**-**	**3,574**	**-**	**(348)**	**(4,909)**
Provision for zakat and income tax	(1,446)	-	-	-	-	(1,446)
Net income / (loss) attributed to shareholders after zakat and income tax	**(9,581)**	**-**	**3,574**	**-**	**(348)**	**(6,355)**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of statement of comprehensive income for the year ended 31 December 2022

	31 December 2022					
		IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
	(SAR '000)					
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**(9,581)**	**-**	**3,574**	**-**	**(348)**	**(6,355)**
Other comprehensive income / (loss)						
A. Items that will not be reclassified to statement of income in subsequent years						
Actuarial gain on employees' end of service benefits	1,174	-	-	-	-	1,174
Total other comprehensive income	**1,174**	**-**	**-**	**-**	**-**	**1,174**
Total comprehensive (loss) / income for the Year	**(8,407)**	-	**3,574**		**(348)**	**(5,181)**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Details of (decrease) / increase in the accumulated losses resulting from transition to IFRS 17 and IFRS 9 are as follows:

	Share capital	Accumulated losses	Re-measurement reserve end-of-service benefits	Total equity
1 January 2022 (previously reported)	150,000	(91,245)	933	59,688
Recognition of expected credit losses under IFRS 9	-	(500)	-	(500)
Reclassifications under IFRS 17		(4,241)		(4,241)
1 January 2022 (Restated)	150,000	(95,986)	933	54,947
31 December 2022 (previously reported)	**230,000**	**(60,530)**	**2,107**	**171,577**
Recognition of expected credit losses under IFRS 9	-	(348)	-	(348)
Reclassifications under IFRS 17	-	(1,167)	-	(1,167)
31 December 2022 (Restated)	**230,000**	**(62,045)**	**2,107**	**170,062**

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting years below are adequate. However, these amounts are not certain and actual payments may differ from the claim's liabilities provided in the financial statements. 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.

	Year ended 31 December	
	2023	2022
Impact on equity and net income of change in claims ratio		
5% Increase	**(9,622)**	**(9,815)**
5% Decrease	**9,622**	**9,815**
Impact on equity and net income of change in direct expense ratio – loss component*		
2% Increase	**(300)**	(432)
2% Decrease	**300**	432
Impact on equity and net income of change in risk adjustment for non-financial risk		
5% Increase	**(74)**	(139)
5% Decrease	**74**	139

* Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the year to earned premium.

5. GOING CONCERN

As of December 31, 2023, the Company's accumulated losses decreased to 18.18% of share capital, from 27% as at 31 December 2022, thus falling below the 20% threshold as per Article 4, Part 2 of the CMA guidelines for listed companies. This improvement reflects the Company's effective financial management and strategic initiatives aimed at stabilizing and strengthening the company's financial health.The Management's thorough going concern assessment supports our confidence in the company's ability to continue operations for the foreseeable future. This is further evidenced by a successful capital increase in 2022 (detailed in Note 21) and a proposed SAR 150 million capital increase through a rights issue by the Board of Directors to support future growth and sustainability.

Accordingly, the financial statements for the year ended December 31, 2023, have been prepared on a going concern basis, indicating the Company's expectation of continued operation without the need for adjustments related to the Company's ability to continue as a going concern. The Management and Board are committed to ongoing efforts to enhance financial stability and shareholder value.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	31 December 2023		
	Insurance operations	**Shareholders' operations**	**Total**
		SAR'000	
Bank balances	**8,523**	**2,223**	**10,746**
Deposits maturing within 3 months from the acquisition date	**-**	**12,588**	**12,588**
	8,523	**14,811**	**23,334**

	31 December 2022		
	Insurance operations	Shareholders' operations	Total
		SAR'000	
Bank balances	23,074	772	23,846
Deposits maturing within 3 months from the acquisition date	-	132,896	132,896
Less: Impairment allowance	-	(21)	(21)
	23,074	133,647	156,721

	1 January 2022		
	Insurance operations	Shareholders' operations	Total
		SAR'000	
Bank balances	49,959	79	50,038
Deposits maturing within 3 months from the acquisition date	-	109,114	109,114
Less: Impairment allowance	-	(456)	(456)
	49,959	108,737	158,696

The movement of impairment allowance for cash and cash equivalent are as follows:

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Balance at the beginning of the year	**21**	456	-
(Reversal) / impairment allowance during the year	**(21)**	(435)	456
Balance at the end of the year	**-**	21	456

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

7. SHORT TERM MURABAHA DEPOSITS

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Short term murahaba deposit	**248,345**	135,353	77,908
Less: Impairment allowance	**(81)**	(807)	(42)
	248,264	134,546	77,866

The movement of impairment allowance for short term Murabaha deposit are as follows:

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Balance at the beginning of the year	**807**	42	-
(Reversal) / impairment allowance during the year	**(726)**	765	42
Balance at the end of the year	**81**	807	42

Murabaha deposits having original maturity of more than three months but less than a year, which are held in Saudi Riyals in the Kingdom of Saudi Arabia and are presented in the statement of financial position. As at 31 December 2023, the deposit carrying commission rate at 5.8% to 6.35% (31 December 2022: 3.3% to 5.5%).

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Held at fair value through profit or loss ("FVTPL")	**1,554**	1,133	1,668

The movement in the FVTPL investments balance is as follows:

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Opening balance	**1,133**	1,668	8,047
Realized gain on investments	**-**	2	42
Sold during the year	**-**	(666)	(6,658)
Unrealized gain on investments	**421**	129	237
Closing balance	**1,554**	1,133	1,668

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
		SAR'000	
Saudi Fransi GCC IPO Fund	**1,554**	1,133	1,668

9. PROPERTY AND EQUIPMENT - NET

Insurance Operations	*Leasehold improvements*	*Computer equipment*	*Motor vehicles*	*Furniture fittings and office equipment*	*Total*
			SAR'000		
Cost:					
At 1 January 2022	4,692	12,144	140	2,632	19,608
Additions during the year	512	184	-	8	704
Disposal during the year	(4,692)	-	-	-	(4,692)
At 31 December 2022	**512**	**12,328**	**140**	**2,640**	**15,620**
Additions during the year	**-**	**28**	**-**	**5**	**33**
At 31 December 2023	**512**	**12,356**	**140**	**2,645**	**15,653**
Accumulated depreciation:					
At 1 January 2022	4,692	10,830	126	2,437	18,085
Charge for the year	45	597	14	104	760
Disposal during the year	(4,692)	-	-	-	(4,692)
At 31 December 2022	**45**	**11,427**	**140**	**2,541**	**14,153**
Charge for the year	**225**	453	-	24	702
At 31 December 2023	**270**	**11,880**	**140**	**2,565**	**14,855**
Net book value at					
31 December 2023	**242**	**476**	**-**	**80**	**798**
31 December 2022	467	901	-	99	1,467

10. INTANGIBLE ASSETS - NET

	2023	2022
Insurance Operations	**SAR'000**	
Cost:		
Balance at the beginning of the year	**23,818**	23,574
Additions during the year	**471**	244
Balance at the end of the year	**24,289**	23,818
Amortization:		
Balance at the beginning of the year	**23,024**	22,675
Charge for the year	**473**	349
Balance at the end of the year	**23,497**	23,024
Net book value as at 31 December	**792**	794

Intangible assets consist mainly of computer software and license used for the benefit of insurance operations.

11. RIGHT-OF-USE-ASSETS

11.1 RIGHT-OF-USE ASSETS, NET

	2023	2022
Building	**SAR'000**	
Cost:		
At 1 January	**2,227**	5,486
Additions during the year	**-**	1,548
Deletions during the year	**-**	(4,807)
At 31 December	**2,227**	2,227
Accumulated depreciation:		
At 1 January	**1,112**	4,807
Additions during the year	**774**	1,112
Deletions during the year	**-**	(4,807)
At 31 December	**1,886**	1,112
Net book value	**341**	1,115

11.2 LEASE LIABILITIES

	2023	2022
	SAR'000	
At 1 January	**776**	2,250
Additions during the year	**-**	1,548
Deletions during the year	**-**	(2,250)
Finance cost	**24**	28
Payment made during the year	**(800)**	(800)
At 31 December	**-**	776

12. STATUTORY DEPOSIT

	Shareholders' operations		
	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
	SAR'000		
Statutory deposit	**34,500**	34,500	22,500

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid-up share capital, in a bank designated by Insurance Authority ("IA"). This statutory deposit cannot be withdrawn without the consent of IA, and commission accruing on this deposit is payable to IA. On 12 December 2022, the Company received the proceeds against the increase in share capital by SAR 130 million. On 21 December 2022, the Company deposited the additional required statutory deposit amounting to SR 12 million.

On 18 September 2023, the Company has paid SAR 5,012 million of the accrued income on statutory deposit to IA.

13. PREPAID EXPENSES AND OTHER ASSETS

	2023	2022
	SAR'000	
Insurance Operations		
Prepayments	**414**	438
Deferred third party administrator (TPA) fee	**4,491**	4,342
Advances to suppliers	**-**	473
Other receivables (TPA and others)	**13,952**	12,340
Receivable -Umrah share	**4,986**	4,861
VAT receivable	**830**	658
Others	**67**	84
	24,740	23,196
Shareholders' Operations		
Accrued income	**3,556**	2,278
Less: impairment allowance	**-**	(19)
Total	**28,296**	25,455

14. INSURANCE CONTRACT LIABILITIES

	Note	2023	2022
		SAR'000	
Corporate	**14.1 a**	**39,658**	56,310
SMEs and others	**14.1 b**	**85,130**	104,212
		124,788	160,522

14. INSURANCE CONTRACT LIABILITIES (Continued)

14.1 Analysis by remaining coverage and incurred claims for insurance contract liabilities

a. Corporate	31 December 2023				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	Risk adjustment for non-financial risk	Total
	SAR'000				
Insurance contract issued					
Opening insurance contract liabilities	**5,644**	**8,952**	**34,904**	**1,106**	**50,606**
Net balance at 01 January 2023	**5,644**	**8,952**	**34,904**	**1,106**	**50,606**
Insurance revenues					
New contracts issued and contracts measured under full retrospective approach at transition	**125,796**	**-**	**-**	**-**	**125,796**
Total insurance revenues	**125,796**	**-**	**-**	**-**	**125,796**
Incurred claims and other direct attributable expense	**-**	**-**	**126,009**	**763**	**126,772**
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	**-**	**-**	**(2,206)**	**(1,100)**	**(3,306)**
Loss on onerous contracts and reversal of those losses	**-**	**1,870**	**-**	**-**	**1,870**
Insurance acquisition cash flows	**11,437**	**-**	**-**	**-**	**11,437**
Total insurance service expenses	**11,437**	**1,870**	**123,803**	**(337)**	**136,773**
Insurance service result	**114,359**	**(1,870)**	**(123,803)**	**337**	**(10,977)**
Total amount recognized in comprehensive income					
Premium received	**106,072**	**-**	**-**	**-**	**106,072**
Claims and other directly attributable expenses paid		**-**	**(112,829)**	**-**	**(112,829)**
Insurance acquisitions cash flows	**(15,168)**	**-**	**-**	**-**	**(15,168)**
Total Cash flows	**90,904**	**-**	**(112,829)**	**-**	**(21,925)**
Net Balance as at 31 December 2023	**(17,811)**	**10,822**	**45,878**	**769**	**39,658**

14. INSURANCE CONTRACT LIABILITIES (Continued)

14.1 Analysis by remaining coverage and incurred claims for insurance contract liabilities (continued)

a. Corporate	31 December 2022				
	Liability for Remaining Coverage (LRC)		Liability for Remaining Coverage (LRC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	Risk adjustment for non-financial risk	Total
			SAR'000		
Insurance contract issued					
Opening insurance contract liabilities	18,549	1,108	62,474	2,177	84,308
Net balance at 01 January 2022	18,549	1,108	62,474	2,177	84,308
Insurance revenues					
New contracts issued and contracts measured under full retrospective approach at transition	105,432	-	-	-	105,432
Total insurance revenues	105,432	-	-	-	105,432
Incurred claims and other direct attributable expense	-	-	105,983	-	105,983
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	-	-	(3,224)	(1,042)	(4,266)
Loss on onerous contracts and reversal of those losses	-	7,844	-	-	7,844
Insurance acquisition cash flows	8,356	-	-	-	8,356
Total insurance service expenses	8,356	7,844	102,759	(1,042)	117,917
Insurance service result	97,076	(7,844)	(102,759)	1,042	(12,485)
Total amount recognized in comprehensive income					
Premium received	96,527	-	-	-	96,527
Claims and other directly attributable expenses paid	-	-	(128,057)	-	(128,057)
Insurance acquisitions cash flows	(8,953)	-	-	-	(8,953)
Total Cash flows	87,574	-	(128,057)	-	(40,483)
Net Balance as at 31 December 2022	9,047	8,952	37,176	1,135	56,310

14. INSURANCE CONTRACT LIABILITIES (Continued)

14.1 Analysis by remaining coverage and incurred claims for insurance contract liabilities (continued)

b. SMEs and others	31 December 2023				
	Liability for Remaining Coverage (LRC)		Liability for Incurred Claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	Risk adjustment for non-financial risk	Total
	SAR'000				
Insurance contract issued					
Opening insurance contract liabilities	42,948	12,662	52,564	1,742	109,916
Net balance at 01 January 2023	42,948	12,662	52,564	1,742	109,916
Insurance revenues					
New contracts issued and contracts measured under full retrospective approach at transition	125,084	-	-	-	125,084
Total insurance revenues	125,084	-	-	-	125,084
Incurred claims and other direct attributable expense	-	-	114,254	718	114,972
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	-	-	(11,659)	(1,742)	(13,401)
Loss on onerous contracts and reversal of those losses	-	(8,470)	-	-	(8,470)
Insurance acquisition cash flows	6,321	-	-	-	6,321
Total insurance service expenses	6,321	(8,470)	102,595	(1,024)	99,422
Insurance service result	118,763	8,470	(102,595)	1,024	25,662
Total amount recognized in comprehensive income					
Premium received	125,299	-	-	-	125,299
Claims and other directly attributable expenses paid		-	(111,331)	-	(111,331)
Insurance acquisitions cash flows	(13,092)	-	-	-	(13,092)
Total Cash flows	112,207	-	(111,331)	-	876
Net Balance as at 31 December 2023	36,392	4,192	43,828	718	85,130

14. INSURANCE CONTRACT LIABILITIES (Continued)

14.1 Analysis by remaining coverage and incurred claims for insurance contract liabilities (continued)

b. SMEs and others	31 December 2022				
	Liability for Remaining Coverage (LRC)		Liability for Remaining Coverage (LRC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	Risk adjustment for non-financial risk	Total
	SAR'000				
Insurance contract issued					
Opening insurance contract liabilities	30,867	36,980	42,525	1,417	111,789
Net balance at 01 January 2022	30,867	36,980	42,525	1,417	111,789
Insurance revenues					
New contracts issued and contracts measured under full retrospective approach at transition	121,498	-	-	-	121,498
Total insurance revenues	121,498	-	-	-	121,498
Incurred claims and other direct attributable expense	-	-	133,480	-	133,480
Changes that relate to past services – changes in the fulfilment cash flows (FCF) relating to the LIC	-	-	(8,511)	296	(8,215)
Loss on onerous contracts and reversal of those losses	-	(24,318)	-	-	(24,318)
Insurance acquisition cash flows	14,917	-	-	-	14,917
Total insurance service expenses	14,917	(24,318)	124,969	296	115,864
Insurance service result	106,581	24,318	(124,969)	(296)	5,634
Total amount recognized in comprehensive income					
Premium received	126,211	-	-	-	126,211
Claims and other directly attributable expenses paid	-	-	(117,202)	-	(117,202)
Insurance acquisitions cash flows	(10,952)	-	-	-	(10,952)
Total Cash flows	115,259	-	(117,202)	-	(1,943)
Net Balance as at 31 December 2022	39,545	12,662	50,292	1,713	104,212

15. COMMITMENTS AND CONTINGENCIES

The Company has no contingencies or letter of guarantee as at 31 December 2023 (31 December 2022: Nil). There were no capital commitments outstanding as at 31 December 2023 (31 December 2022: Nil).

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the results of all pending legal proceedings, management does not believe that such proceedings will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

16. EMPLOYEES' END OF SERVICE BENEFITS

Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

16.1 Movement of end of service benefits

	2023	2022
	SAR'000	
Opening balance	**5,172**	5,787
Current service cost	**865**	921
Interest cost	**246**	164
Charge to statement of income	**1,111**	1,085
Charge to statement of other comprehensive income	**(473)**	(1,174)
Payment of benefits during the year	**(582)**	(526)
Closing balance	**5,228**	5,172

16.2 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of end of service benefits:

	2023	2022
Valuation discount rate	**4.8%**	5.1%
Expected rate of increase in salary level across different age bands	**2.5%**	3%

The impact of changes in sensitivities on present value of employees' end of service benefits ((Increase) / Decrease) benefits is as follows:

Valuation discount rate	**2023**	2022
	SAR'000	
- Increase by 1%	**(475)**	(481)
- Decrease by 1%	**562**	565
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**570**	(571)
- Decrease by 1%	**(490)**	494

The impact of changes in sensitivities on present value of end of service indemnities is as follows:

	2023	2022
Valuation Discount rate		
Increase by 1%	**(4,752)**	(4,691)
Decreased by 1%	**(5,790)**	(5,737)
Expected rate of increase in salary level across different age bands		
Increase by 1%	**(5,798)**	(5,743)
Decreased by 1%	**(4,738)**	(4,677)
Mortality rate		
Increase by 20%	**(5,230)**	(5,173)
Decreased by 20%	**(5,224)**	(5,171)
Withdrawal rate		
Increase by 20%	**(5,241)**	(5,172)
Decreased by 20%	**(5,209)**	(5,161)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

Shareholders' Operations	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2023					
Financial assets measured at fair value					
- Investments held as FVSI	**1,554**	**1,554**	**-**	**-**	**1,554**

Shareholders' Operations	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2022					
Financial assets measured at fair value					
- Investments held as FVSI	1,133	1,133	-	-	1,133

All investments are held within Kingdom of Saudi Arabia and GCC.

18. OPERATING SEGMENTS

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

	31 December 2023		
Operating segments	**Corporate**	**SME & Others**	**Total**
ASSETS			
Unallocated assets	-	-	339,800
Total assets	-	-	**339,800**
LIABILITIES			
Liability of Incurred Claims	**46,645**	**44,548**	**91,193**
Liability of Remaining Coverage	**(6,988)**	**40,583**	**33,595**
Insurance contract liabilities	**39,657**	**85,131**	**124,788**
Unallocated liabilities	**-**	**-**	**24,255**
Total liabilities	-	-	**149,043**

18. OPERATING SEGMENTS (Continued)

	31 December 2022		
Operating segments	Corporate	SME & Others	Total
ASSETS			
Unallocated assets	-	-	360,743
Total assets	-	-	360,743
LIABILITIES			
Liability of Incurred Claims	36,011	54,305	90,316
Liability of Remaining Coverage	14,644	55,562	70,206
Insurance contract liabilities	50,655	109,867	160,522
Unallocated liabilities			30,159
Total liabilities			190,681

	1 January 2022		
Operating segments	Corporate	SME &Others	Total
ASSETS			
Unallocated assets	-	-	280,013
Total assets	-	-	280,013
LIABILITIES			
Liability of Incurred Claims	64,651	43,941	108,592
Liability of Remaining Coverage	19,657	67,848	87,505
Insurance contract liabilities	84,308	111,789	196,097
Unallocated liabilities			28,969
Total liabilities			225,066

	For the year ended 31 December 2023			For the year ended 31 December 2022 (Restated)		
	Corporate	**SME & Other**	**Total**	Corporate	SME & Other	Total
Insurance revenue	**125,796**	**125,084**	**250,880**	105,432	121,498	226,930
Insurance service expense	**(136,773)**	**(99,422)**	**(236,195)**	(117,917)	(115,864)	(233,781)
Insurance service result	**(10,977)**	**25,662**	**14,685**	(12,485)	5,634	(6,851)
Interest revenue from financial asset not measured at FVTPL			**14,427**			5,193
Net gains on FVTPL investments			**421**			131
Net credit impairment losses on financial assets			**766**			(348)
Net investment income			**15,614**			4,976
Net insurance and investment result			**30,299**			(1,875)
Other income			**5,010**			7,299
Other operating expenses			**(14,625)**			(10,333)
Net income / (loss) attributed to shareholders before zakat and income tax			**20,684**			(4,909)
Provision for Zakat and Income Tax			**(462)**			(1,446)
Net income / (loss) attributed to shareholders after zakat and income tax			**20,222**			(6,355)

18. OPERATING SEGMENTS (Continued)

The details of gross written premium are as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022 (Restated)
	SAR '000	
Individual	**3,805**	2,721
Micro enterprises	**6,432**	11,981
Small enterprises	**90,278**	99,247
Medium enterprises	**75,790**	60,604
Large enterprises	**73,721**	52,921
	250,026	227,474

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	Nature of Transactions	**Transactions during the year ended 31 December**		**Balance receivable / (payable) as at 31 December**	
		2023	2022	**2023**	2022
		SAR'000			
Entities controlled, jointly controlled or significantly influenced by related parties					
Juffali Group – (affiliates)	Gross premium written	**1,904**	1,581	**639**	707
	Gross claims paid	**1,451**	1,329	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**345**	652	**-**	(184)
	Commission paid	**-**	289	**-**	-
International Medical Center – (Affiliate)	Gross claims paid	**-**	-	**-**	1,982

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 Acting Chief Financial Officer of the Company.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December:

	2023	2022
Top management executives	**SAR'000**	
Salaries and other allowances	**4,320**	4,842
End of service indemnities	**199**	181
	4,519	5,023
Board and committees' remuneration and fees	**1,786**	2,131
	1,786	2,131

20. PROVISION FOR ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the year ended 31 December 2023 and 2022 are as follows:

	2023	2022
Current tax charge	**65**	-
Zakat provision prior year	-	361
Zakat provision current year	**397**	1,085
	397	1,446
	462	1,446

Movements in the Zakat and income tax accrued during the year ended 31 December 2023 and year ended 31 December 2022 respectively are as follows:

	Zakat payable	**Income Tax Payable**	**Total 31 December 2023**
Balance at beginning of the year	**14,696**	**-**	**14,696**
Provided during the year	**397**	**65**	**462**
Payments during the year	**(240)**	**-**	**(240)**
Balance at end of the year	**14,853**	**65**	**14,918**

	Zakat payable	Income Tax Payable	Total 31 December 2022
Balance at beginning of the year	13,250	-	13,250
Provided during the year	1,446	-	1,446
Payments during the year	-	-	-
Balance at end of the year	14,696	-	14,696

a. Status of zakat assessments

The Company has filed its Zakat and tax returns until the year ended 31 December 2022 and zakat assessments until 2014 have been finalized and settled. The Zakat, Tax and Customs Authority ("ZATCA") has raised assessments for the years from 2015 to 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the Tax Violations and Dispute Resolutions Committee ("TVDRC") against the ZATCA's assessment and issued the decision reducing the zakat liability by SR 86 thousand. The Company and ZATCA escalated the case with the Tax Violations and Dispute Appellate Committee ("TVDAC"). During November 2023, the TVDAC issued their decision upholding the TVDRC's decision. The ZATCA has issued revised assessments based on the TVDAC decision with additional zakat liability of SR 9.1 million. The Company is in the process of requesting the ZATCA to settle the outstanding zakat liability through an installment plan. The Zakat and tax returns for the years from 2019 to 2022 are currently under review by the ZATCA.

21. SHARE CAPITAL

As at 31 December 2023, the authorized, subscribed and paid-up share capital of the Company was SR 230 million, divided into 23 million shares of SR 10 each. On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors had recommended reducing the Company's share capital from SR 150 million to SR 100 million by offsetting accumulated losses.

In an Extraordinary General Assembly meeting (second meeting) held on 22 Rabi Al Awwal 1444H corresponding to 18 October 2022, the Shareholders of the Company have approved this reduction and the required changes in the Company's by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SR 50 million. The capital reduction was through the reduction of 1 share for every 3 shares held by the Shareholder. The purpose of capital reduction was to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

21. SHARE CAPITAL (Continued)

On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors recommended increasing the Company's capital, through right issue with a total value of SAR 130 million through offering priority rights shares to reach SR 230 million. In an Extraordinary General Assembly meeting (second meeting) held on 12 Rabi Al Thani 1444H corresponding to 6 November 2022, the Shareholders of the Company have approved this increase and the required changes in the Company's by-laws relating to this increase. Accordingly, the share capital was increased by SR 130 million and accumulated losses were reduced by SR 50 million. The capital increase was through an increase of 1.3 shares for every 1 share held by the Shareholder.

The purpose of capital increase was to support the Company's future plans and enhance the solvency margin. The Company has completed the related legal formalities.

On 26 Jamada Al-Awwal 1445H corresponding to 10 December 2023, the Board of Directors recommended increasing the Company's capital, through right issue with a total value of SR 150 million through offering priority rights shares to reach SR 380 million. The Company announced that on 15 Jamada Al-Thani 1445H corresponding to 28 December 2023, the appointment of the financial advisor "Al Wasatah Al Maliah (Wasatah Capital)" to manage subscription to right issues.

22. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid-up share capital. No reserve has been made as the Company has accumulated losses as at 31 December 2023.

23. OTHER OPERATING EXPENSES

	2023	2022
	SAR'000	
Policy acquisition cost	**12,019**	13,860
Employees costs	**26,431**	24,090
Depreciation	**700**	760
Amortization	**473**	349
Depreciation on right of use assets	**774**	1,112
Rent expenses	**222**	48
Legal and professional fees	**7,202**	4,265
Repair and maintenance costs	**2,338**	2,841
Marketing expenses	**6**	30
Utilities and communication expenses	**1,438**	1,518
Investment related expenses	**460**	304
Subscriptions	**439**	260
Committee fees	**1,786**	2,131
Other expenses	**2,027**	1,026
Total	**56,315**	52,594

Allocation of expenses is as follows:

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Other attributable expenses *	**29,671**	**-**	**29,671**	28,401	-	28,401
Policy acquisition cost *	**12,019**	**-**	**12,019**	13,860	-	13,860
Other operating expenses**	**6,783**	**7,842**	**14,625**	7,211	3,122	10,333
	48,473	**7,842**	**56,315**	49,472	3,122	52,594

*Reported part of insurance service expense.

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

23. OTHER OPERATING EXPENSES (Continued)

23.1 Auditors' remuneration for the statutory audit of the Company's financial statements for the year ended 31 December 2023 amounts to SR 580 thousand (2022: SR 350 thousand). Auditors' remuneration for the review of the Company's interim financial information during the year ended 31 December 2023 amounts to SR 270 thousand (2022: SR 180 thousand). Fee for other statutory and related services provided by the auditors to the Company's amounts to SR 30 thousand (2022: SR 18 thousand).

24. OTHER INCOME

	2023	2022
Insurance Operations	**SAR'000**	
Haj and Umrah income	**4,986**	4,754
Reversal of lease liability	**-**	2,250
Others	**24**	295
	5,010	7,299

25. CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it can continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid-up share capital, reserves, and accumulated losses. The Company maintains its capital as per guidelines laid out by the Insurance Authority in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained.

The Company shall maintain solvency margin equivalent to the highest of the following three methods as per Insurance Authority Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million.
- Premium Solvency Margin.
- Claims Solvency Margin.

The Company is in compliance with all the externally imposed Capital requirements with a sound solvency margin. The Capital structure of the Company as at 31 December 2023 consists of paid-up share Capital of SR 230 million (31 December 2022: SR 230 million) and accumulated losses of SR 41.82 million (31 December 2022: SR 62.05 million) in the statement of financial position. In the opinion of the Board of Directors the Company has fully complied with the externally imposed capital requirements during the reported financial year.

26. EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) per share for the year has been calculated by dividing the net profit / (loss) for the year by the weighted average number of issued and osutstanding shares for the year.

a. The weighted average number of shares have been adjusted retrospectively for current year to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	2023	2022
	Shares'000	
Issued ordinary shares as at 1 January	**23,000**	15,000
Effect of rights share issue	**-**	8,000
Balance at the end of the year	**23,000**	23,000

During 2022, the weighted average number of ordinary shares for current year is computed using an adjustment factor of 1.31 which is a ratio of the theoretical ex-rights price of SAR 13.13 per ordinary share and the closing price of SAR 17.2 per ordinary share on the last day on which the shares were traded before the rights issue.

26. EARNINGS / (LOSS) PER SHARE (Continued)

b. The basic and diluted earnings / (loss) per share is calculated as follows:

	2023	2022
Net profit / (loss) for the year – (SAR'000)	**20,222**	(6,355)
Weighted average number of ordinary shares – (shares'000)	**23,000**	13,642
Basic and diluted earnings / (loss) per share (SR / Share)	**0.88**	(0.47)

27. RISK MANAGEMENT

The Company has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Adhering to this structure, the Company aims to meet its obligations to policyholders and other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations. The Company's Risk Committee has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk Committee is responsible for defining, installing, and monitoring the risk management organization in order to ensure that its control systems are effective. The Risk Committee approves all risk management policies, as well as the quantitative and qualitative elements of the Company's risk appetite and tolerance framework.

a) Insurance risk

The Company provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance risk within the Company is that there are no sufficient reserves available to cover the liabilities associated with the insurance contracts issued. Actual claims may differ from the estimated ultimate claims. The Company seeks to manage this as follows:

Estimate of present value of cash flows and risk adjustment for non-financial risk

- through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Company also has an external actuary to perform quarterly independent reviews of the reserves adequacy. Estimate of present value of cash flows and risk adjustment for non-financial risk, which are key components of the Company's insurance contract liabilities are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR"), claims handling provisions and risk adjustment for non-financial risk. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behavior, seasonality and other factors. The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues.
- The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates.
- The Company continually reviews the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

Pricing

- The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Managing the concentration of insurance risk

- The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits.

27. RISK MANAGEMENT (Continued)

(a) Insurance Risk (Continued)

Process used to decide on assumptions

- Assumptions used in determining estimate of present value of cash flows are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Company may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.
- The estimation of present value of future cash flows related to incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the present value of future cash flows related to reported claims which are received but not yet settled with the providers. For the case of present value of future cash flows related to reported claims, the Company uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre- authorization data to estimate present value of future cash flows related to IBNR. The Company seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

ii) Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

	31 December 2023	31 December 2022
Impact on equity, insurance contract liabilities and profit or loss due to change in claims ratio		
5% Increase	**(9,622)**	(9,815)
5% Decrease	**9,622**	9,815
Impact on equity, insurance contract liabilities and profit or loss due to change in risk adjustment for non-financial risk		
5% Increase	**(74)**	(139)
5% Decrease	**74**	139

The following shows the impact of a reasonable possible change in direct expense ratio on the loss component as at the reporting date. As at 31 December 2023 there was no loss component recognized by the Company.

Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component*		
2% Increase	(300)	(432)
2% Decrease	300	432

* Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the year to earned premium.

b) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Company adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Company's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels.

Market risk comprises three types: interest rate risk, price risk and currency risk.

27. RISK MANAGEMENT (Continued)

(b) Market Risk (Continued)

i. Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments. Investments in term deposits and sukuk instruments have various maturities in order to maximize investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest-bearing securities using discounted cashflows as at 31 December are as follows:

	2023				
	Less than 3 months	**3 months to 1 year**	**1 year to 3 years**	**More than 3 years**	**Total**
Short term murabaha deposits	**-**	**248,264**	**-**	**-**	**248,264**

	2022				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Short term murabaha deposits	-	134,546	-	-	134,546

ii. Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 1.554 million (2022: SR 1.133million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimize the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments carried at fair value through income statement on Company's profit would be as follows:

	Fair value change	**Effect on Company's profit SR'000**
2023	**± 10%**	**± 155**
2022	± 10%	± 113

iii. Currency risk

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All Company's transactions are in Saudi Riyals and US Dollar. Given the peg of Saudi Riyals and US Dollars, foreign exchange risk is minimal.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case-by-case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the future premiums cashflow. The Company seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognized, creditworthy third parties (minimum BBB).

27. RISK MANAGEMENT (Continued)

c) Credit risk (continued)

The following table shows the maximum exposure to credit risk by class of financial asset:

	2023	2022
Cash and cash equivalents	**23,334**	156,721
Short term murabaha deposits	**248,264**	134,546
Statutory deposit	**34,500**	34,500
Accrued income on statutory deposit	**1,921**	5,012
Investments	**1,554**	1,133
Prepaid expenses and other assets	**28,296**	25,455
	337,869	357,367

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per a reputable credit agency) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2023			
		Non-investment grade		
	Investment grade	**Not impaired**	**Impaired**	**Total**
Cash and cash equivalents	**23,334**	**-**	**-**	**23,334**
Short term murabaha deposits	**248,264**	**-**	**-**	**248,264**
Statutory deposit	**34,500**	**-**	**-**	**34,500**
Accrued income on statutory deposit	**1,921**	**-**	**-**	**1,921**
Investments	**1,554**	**-**	**-**	**1,554**
Prepaid expenses and other assets	**-**	**830**	**-**	**830**
	309,573	**830**	**-**	**310,403**

	2022			
		Non-investment grade		
	Investment grade	Not impaired	Impaired	Total
Cash and cash equivalents	156,721	-	-	156,721
Short term murabaha deposits	134,546	-	-	134,546
Statutory deposit	34,500	-	-	34,500
Accrued income on statutory deposit	5,012	-	-	5,012
Investments	1,133	-	-	1,133
Prepaid expenses and other assets	-	658	-	658
	331,912	658	-	332,570

The Company does not have any financial assets classified in Stage 2 or 3 as at 31 December 2023 and 2022. The ECL on Stage 1 financial assets is not material.

27. RISK MANAGEMENT (Continued)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds through premiums received and excess cash are available to meet any commitments as they arise.

The table below summaries the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations.

	2023		
	Up to one year	**More than one year**	**Total**
Insurance contract liabilities	**124,788**	**-**	**124,788**
Accrued income payable to Insurance Authority	**1,921**	**-**	**1,921**
Accrued expenses and other liabilities	**2,188**	**-**	**2,188**
End-of-service indemnities	**-**	**5,228**	**5,228**
	128,897	**5,228**	**134,125**

	2022		
	Up to one year	More than one year	Total
Insurance contract liabilities	160,522	-	160,522
Accrued income payable to Insurance Authority	5,012	-	5,012
Accrued expenses and other liabilities	4,503	-	4,503
Lease liabilities	776	-	776
End-of-service indemnities	-	5,172	5,172
	170,813	5,172	175,985

e) Liquidity profile

All assets excluding financial assets at fair value, property and equipment and right-of-use assets, intangible assets, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled before one year. Term deposits amounting to SR 248 million (31 December 2022: SR 135 million) mature within one year and the remaining balance have maturities greater than one year.

None of the financial liabilities on the statement of financial position are based on discounted cash flows, with the exception of end-of-service benefits and lease liabilities and are all payable on a basis as set out above. There are no differences between the contractual and expected maturity of the financial liabilities of the Company.

28. CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims, including both claims reported and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

2023 **Accident year**	**2020 and earlier**	**2021**	**2022**	**2023**	**Total**
Undiscounted liabilities for incurred claims			**SAR'000**		
At end of accident year	**-**	**176,257**	**215,902**	**214,688**	**606,847**
1 year later	**147,455**	**167,617**	**204,523**	**-**	**519,595**
2 year later	**874,105**	**168,109**	**-**	**-**	**1,042,214**
3 year later	**874,071**	**-**	**-**	**-**	**874,071**
Current estimate of ultimate claims	**874,071**	**168,109**	**204,523**	**214,688**	**1,461,391**
Ultimate payments to date	**874,071**	**168,109**	**204,338**	**169,796**	**1,416,314**
Liability recognized in the statement of financial position	**-**	**-**	**185**	**44,892**	**45,077**
Other related reserves					**1,097**
Loss component					**15,014**
Balance at 31 December					**61,188**

2022 **Accident year**	**2019 and earlier**	**2020**	**2021**	**2022**	**Total**
Undiscounted liabilities for incurred claims			**SAR'000**		
At end of accident year	-	-	176,257	215,902	392,159
1 year later	-	147,455	167,617	-	315,072
2 year later	728,547	145,558	-	-	874,105
3 year later	728,523	-	-	-	728,528
Current estimate of ultimate claims	728,523	145,558	167,617	215,902	1,257,600
Ultimate payments to date	728,523	145,232	166,727	154,995	1,195,477
Liability recognized in the statement of financial position	-	326	890	60,907	62,123
Other related reserves					429
Loss component					21,614
Balance at 31 December					84,166

29. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
ASSETS						
Cash and cash equivalents	**8,523**	**14,811**	**23,334**	23,074	133,647	156,721
Short term Murabaha deposits	**-**	**248,264**	**248,264**	-	134,546	134,546
Investments	**-**	**1,554**	**1,554**	-	1,133	1,133
Property and equipment, net	**798**	**-**	**798**	1,467	-	1,467
Intangible assets, net	**792**	**-**	**792**	794	-	794
Right of use assets, net	**341**	**-**	**341**	1,115	-	1,115
Statutory deposit	**-**	**34,500**	**34,500**	-	34,500	34,500
Accrued income on statutory deposit	**-**	**1,921**	**1,921**		5,012	5,012
Prepaid expenses and other assets	**24,740**	**3,556**	**28,296**	23,196	2,259	25,455
Due from share holders' operations	**97,898**	**-**	**97,898**	122,775	-	122,775
	133,092	**304,606**	**437,698**	172,421	311,097	483,518
Less: Inter-operations eliminations	**(97,898)**	**-**	**(97,898)**	(122,775)	-	(122,775)
TOTAL ASSETS	**35,194**	**304,606**	**339,800**	49,646	311,097	360,743
LIABILITIES						
Insurance contract liabilities	**124,788**	**-**	**124,788**	160,522	-	160,522
Accrued income payable to Insurance Authority	**-**	**1,921**	**1,921**	-	5,012	5,012
Accrued expenses and other liabilities	**496**	**1,692**	**2,188**	3,844	659	4,503
Lease liabilities	**-**	**-**	**-**	776	-	776
End of service benefits	**5,228**	**-**	**5,228**	5,172	-	5,172
Provision for Zakat and income tax	**-**	**14,918**	**14,918**	-	14,696	14,696
Due to insurance operations	**-**	**97,898**	**97,898**	-	122,775	122,775
	130,512	**116,429**	**246,941**	170,314	143,142	313,456
Less: Inter-operations eliminations	**-**	**(97,898)**	**(97,898)**	-	(122,775)	(122,775)
TOTAL LIABILITIES	**130,512**	**18,531**	**149,043**	170,314	20,367	190,681
EQUITY						
Share capital	**-**	**230,000**	**230,000**	-	230,000	230,000
Accumulated losses	**-**	**(41,823)**	**(41,823)**	-	(62,045)	(62,045)
Re-measurement reserve for employees' end of service benefits – related to insurance operations	**2,580**	**-**	**2,580**	2,107	-	2,107
TOTAL EQUITY	**2,580**	**188,177**	**190,757**	2,107	167,955	170,062
TOTAL LIABILITIES AND EQUITY	**133,092**	**206,708**	**339,800**	172,421	188,322	360,743

29. SUPPLEMENTARY INFORMATION (Continued)

Statement of Income

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Insurance revenue	**250,880**	**-**	**250,880**	226,930	-	226,930
Insurance service expense	**(236,195)**	**-**	**(236,195)**	(233,781)	-	(233,781)
Net insurance service result	**14,685**	**-**	**14,685**	(6,851)	-	(6,851)
Investment income on financial assets at amortized cost	**-**	**14,427**	**14,427**	-	5,193	5,193
Investment income on financial assets at fair value	**-**	**421**	**421**	-	131	131
Net impairment loss on financial assets	**-**	**766**	**766**	-	(348)	(348)
Net insurance and investment results	**14,685**	**15,614**	**30,299**	(6,851)	4,976	(1,875)
Other operating expenses	**(6,783)**	**(7,842)**	**(14,625)**	(7,211)	(3,122)	(10,333)
Other Income	**5,010**	**-**	**5,010**	7,299	-	7,299
Income attributed to the shareholders before, zakat and income tax	**12,912**	**7,772**	**20,684**	(6,763)	1,854	(4,909)
Transfer of surplus to shareholders (after deducting 10% policyholder surplus)	**(12,912)**	**12,912**	**-**	6,763	(6,763)	-
Income attributed to the shareholders before zakat and income tax	**-**	**20,684**	**20,684**	-	(4,909)	(4,909)
Zakat charge	**-**	**(462)**	**(462)**	-	(1,446)	(1,446)
Income tax charge	**-**	**-**	**-**	-	-	-
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**-**	**20,222**	**20,222**	-	(6,355)	(6,355)
Total other comprehensive Income	**473**	**-**	**473**	1,174	-	1,174
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**473**	**20,222**	**20,695**	1,174	(6,355)	(5,181)

29. SUPPLEMENTARY INFORMATION (Continued)

Statement of Cash flows

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Net income attributed to shareholders before zakat and income tax	**-**	**20,684**	**20,684**	-	(4,909)	(4,909)
Net cash used in operating activities	**(13,247)**	**(5,844)**	**(19,091)**	(25,137)	(26,607)	(51,744)
Net cash used in investing activities	**(504)**	**(112,992)**	**(113,496)**	(948)	(68,779)	(69,727)
Net cash used in financing activities	**(800)**	**-**	**(800)**	(800)	120,296	119,496
Net change in cash and cash equivalents	**(14,551)**	**(118,836)**	**(133,387)**	(26,885)	24,910	(1,975)
Cash and cash equivalents at beginning of the year	**23,074**	**133,647**	**156,721**	49,959	108,737	158,696
Cash and cash equivalents at end of the year	**8,523**	**14,811**	**23,334**	23,074	133,647	156,721

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 03 Ramadan 1445H corresponding to 13 March 2024.