
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 30 September 2022 and the related interim condensed statements of income and comprehensive income for the three-months and nine-months periods then ended and the related interim condensed statements of changes in equity and cash flows for the nine-months period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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


CONCLUSION

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

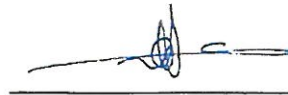
EMPHASIS OF MATTER

We draw attention to Note 4 to the interim condensed financial statements, which stated the conditions that raised the material uncertainty on the Company's ability to continue as a going concern and the Company's responses to these conditions. However, the Company's management has assessed its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under the normal course of business. Accordingly, the interim condensed financial statements has been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as going concern. Our conclusion is not qualified in respect of the above matter.

For El Sayed El Ayouty & Co.
Certified Public Accountants
P. O. Box 780
Jeddah 21421
Kingdom of Saudi Arabia


Abdullah Ahmed Balamesh
Certified Public Accountant
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For AlAzem, AlSudairy, AlShaikh and Partners for
Professional Consulting
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia


Abdullah M. AlAzem
Certified Public Accountant
License No. 335




7 November 2022
13 Rabi' al Thani 1444H
Jeddah, Kingdom of Saudi Arabia

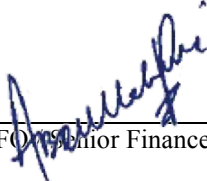


SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

		30 September 2022	31 December 2021
	Note	(Unaudited)	(Audited)
		SR ‘000	
ASSETS			
Cash and cash equivalents	5	89,811	159,152
Short term murabaha deposits	6	100,843	77,908
Premiums receivable, net	7	73,163	58,486
Prepaid expenses and other assets		23,283	11,639
Deferred policy acquisition costs		5,770	6,926
Investments	8	1,189	1,668
Property and equipment, net		1,477	1,523
Intangible assets, net		872	899
Right of use assets, net		1,311	679
Statutory deposit	9	22,500	22,500
Accrued commission income on statutory deposit		4,648	4,545
TOTAL ASSETS		324,867	345,925
LIABILITIES			
Accrued and other liabilities		49,723	54,209
Unearned premiums	10.2	111,347	108,727
Outstanding claims	10.1	44,915	46,806
Claims incurred but not reported	10.1	21,685	15,745
Premium deficiency reserve	10.1	35,986	34,527
Other technical reserves	10.1	442	391
End-of-service indemnities		6,015	5,787
Lease liabilities		1,164	2,250
Zakat and income tax	15	13,750	13,250
Accrued commission income payable to SAMA		4,648	4,545
TOTAL LIABILITIES		289,675	286,237
SHAREHOLDERS’ EQUITY			
Share capital	16	150,000	150,000
Accumulated losses		(115,741)	(91,245)
TOTAL SHAREHOLDERS’ EQUITY		34,259	58,755
Re-measurement reserve on end-of-service indemnities – related to insurance operations		933	933
TOTAL EQUITY		35,192	59,688
TOTAL LIABILITIES AND EQUITY		324,867	345,925


Chairman


Acting CFO / Senior Finance Manager


Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

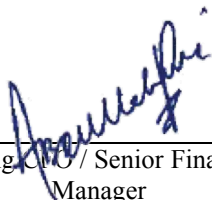
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME – (UNAUDITED)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

	<i>Three - months periods ended 30 September</i>		<i>Nine - months periods ended 30 September</i>	
	2022	2021	2022	2021
	SR '000			
<u>REVENUES</u>				
Gross premiums written	76,771	72,959	173,341	164,832
Net premiums written	76,771	72,959	173,341	164,832
Changes in unearned premiums, net	(18,754)	(25,954)	(2,620)	(39,859)
Net premiums earned	58,017	47,005	170,721	124,973
TOTAL REVENUES	58,017	47,005	170,721	124,973
<u>UNDERWRITING COSTS AND EXPENSES</u>				
Gross claims paid	46,967	30,615	152,389	106,730
Net claims paid	46,967	30,615	152,389	106,730
Changes in outstanding claims, net	5,726	7,222	(1,891)	2,659
Changes in claims incurred but not reported, net	1,709	486	5,940	1,950
Net claims incurred	54,402	38,323	156,438	111,339
Changes in premium deficiency reserve	5,241	9,229	1,459	17,537
Changes in other technical reserves	47	40	51	32
Policy acquisition costs	3,649	690	10,614	4,471
Other underwriting expenses	3,439	2,802	8,838	5,988
TOTAL UNDERWRITING COSTS AND EXPENSES	66,778	51,084	177,400	139,367
NET UNDERWRITING LOSS	(8,761)	(4,079)	(6,679)	(14,394)



Chairman



Acting CFO / Senior Finance
Manager



Chief Executive Officer

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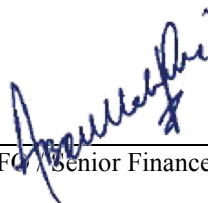
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME – (UNAUDITED) – (CONTINUED)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

		Three - months periods ended 30 September		Nine - months periods ended 30 September	
Note		2022	2021	2022	2021
SR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>					
	7	3,347	1,557	(342)	737
		(9,027)	(11,057)	(26,261)	(37,180)
		1,406	679	3,299	2,519
		56	81	187	269
		-	(13)	-	5,418
		2,981	4	5,800	105
TOTAL OTHER OPERATING EXPENSES		(1,237)	(8,749)	(17,317)	(28,132)
Net loss for the period		(9,998)	(12,828)	(23,996)	(42,526)
Net income attributed to the insurance operations		-	-	-	-
Net loss for the period attributable to the shareholders before zakat		(9,998)	(12,828)	(23,996)	(42,526)
	15	-	(750)	(500)	(2,250)
Net loss for the period		(9,998)	(13,578)	(24,496)	(44,776)
<u>Loss per share (expressed in SR per share)</u>					
Weighted average number of ordinary shares Outstanding (in thousands of shares)		18	15,000	15,000	15,000
Basic and diluted loss per share for the period (SR/Share)		18	(0.67)	(0.91)	(2.99)



Chairman



Acting CFO / Senior Finance Manager



Chief Executive Officer

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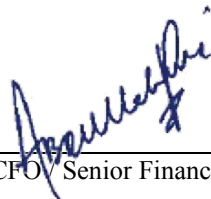
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME – (UNAUDITED)
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

	<i>Three - months periods ended 30 September</i>		<i>Nine - months periods ended 30 September</i>	
	2022	2021	2022	2021
	SR ‘000			
Net loss for the period	(9,998)	(13,578)	(24,496)	(44,776)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(9,998)	(13,578)	(24,496)	(44,776)
Total comprehensive loss attributed to the insurance operations	-	-	-	-
Total comprehensive loss for the period attributable to the shareholders	(9,998)	(13,578)	(24,496)	(44,776)



Chairman



Acting CFO / Senior Finance Manager



Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

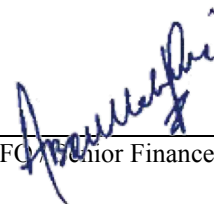
	Related to shareholders' operations			Re-measurement reserve on end-of-service indemnities – related to insurance operations	Total equity
	Share capital	Accumulated losses	Total shareholders' equity SR '000		
2022					
Balance as at 31 December 2021 (Audited)	150,000	(91,245)	58,755	933	59,688
Total comprehensive loss for the period:					
Net loss for the period	-	(24,496)	(24,496)	-	(24,496)
Total comprehensive loss for the period	-	(24,496)	(24,496)	-	(24,496)
Balance as at 30 September 2022 (Unaudited)	150,000	(115,741)	34,259	933	35,192

2021

Balance as at 31 December 2020 (Audited)	150,000	(29,273)	120,727	1,008	121,735
Total comprehensive loss for the period:					
Net loss for the period	-	(44,776)	(44,776)	-	(44,776)
Total comprehensive loss for the period	-	(44,776)	(44,776)	-	(44,776)
Balance as at 30 September 2021 (Unaudited)	150,000	(74,049)	75,951	1,008	76,959



Chairman



Acting CFO / Senior Finance Manager




Chief Executive Officer

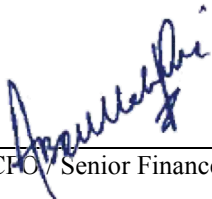
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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – (UNAUDITED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022

	<i>Nine - months period ended</i> <i>30 September</i>	
	2022	2021
	SR '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period before zakat	(23,996)	(42,526)
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	563	824
Depreciation of right of use assets	916	1,374
Finance cost on lease liabilities	16	32
Amortization of intangible assets	271	369
Allowance for / (Release of) doubtful debts	342	(737)
Unrealized gain on investments	(187)	(269)
Realized gain on investment	-	(5,418)
Provision for end-of-service indemnities	228	730
	(21,847)	(45,621)
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(15,019)	(24,873)
Reinsurer receivable	-	421
Reinsurer share of outstanding claims	-	119
Deferred policy acquisition costs	1,156	(3,011)
Prepaid expenses and other assets	(11,644)	(547)
Accrued and other liabilities	(4,486)	10,396
Accrued commission income on statutory deposit	(103)	(133)
Unearned premiums	2,620	39,859
Outstanding claims	(1,891)	2,540
Claims incurred but not reported	5,940	1,950
Premium deficiency reserve	1,459	17,536
Other technical reserves	51	32
Accrued commission income payable to SAMA	103	133
Cash used in operating activities	(43,661)	(1,199)
End-of-service indemnities paid	-	(159)
Zakat paid	-	(2,737)
Net cash used in operating activities	(43,661)	(4,095)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of short term murabaha deposits	(22,935)	(37,840)
Proceeds from the sale of investments	666	65,747
Addition in right of use assets, net	(2,250)	-
Purchase of property and equipment	(517)	(439)
Purchase of intangible assets	(244)	(187)
Net cash (used in) / generated from investing activities	(25,280)	27,281
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease	(400)	-
Net cash used in financing activities	(400)	-
Net change in cash and cash equivalents	(69,341)	23,186
Cash and cash equivalents, beginning of the period	159,152	115,226
Cash and cash equivalents, end of the period	89,811	138,412


Chairman


Acting CFO / Senior Finance Manager


Chief Executive Officer

The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

1. GENERAL

Saudi Enaya Cooperative Insurance 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 Khaldiya District
P.O. Box 3732
Jeddah 23423
Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch

Riyadh

Commercial Registration Number:

1010421871

The Company is licensed to conduct 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 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, the Company signed a non-binding Memorandum of Understanding ("MOU") with Amana Cooperative Insurance Company ("Amana") to evaluate a potential merger between the two companies. On 18 Ramadan 1442H corresponding to 30 April 2021, the Company announced that it has signed a binding merger agreement with Amana. Whereas each Board of Directors of both companies had reached an agreement regarding the conditions under which the company will be merged into Amana.

The Company announced to its shareholders on 15 July 2021 that The General Authority of Competition ("GAC") has issued a non-objection certificate to complete the merger according to GAC certificate issued with reference number 5 dated 6 Zul-Hijjah 1442H.

The Company announced the issuance of the Approval of the Saudi Central Bank on 18 Rabi-Al-Thani 1443 (corresponding to 23 November 2021) on the potential Merger.

On 6 Jumada Al-Akhera 1443 (9 January 2022), a resolution was passed in the extra ordinary general assembly meeting to disapprove the terms of the merger agreement entered into between the Company and Amana on 17 Ramadan 1442H (corresponding to 29 April 2021).

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

2. BASIS OF PREPARATION

a. Statement of compliance

The interim condensed financial statements for the three-month and Nine-month periods ended 30 September 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value and measurement of employees end of service benefits which are recognized at the present value of future obligations. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term murabaha deposits, premiums receivable-net, deferred policy acquisition costs, prepaid expenses and other assets, accrued and other liabilities, unearned premiums, reinsurance commission and zakat and income tax. The following balances would generally be classified as non-current: outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves, end-of-service indemnities, 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 financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. Similarly, in the past, the Company's interim condensed and 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 allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 26 to 33 of the interim condensed financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2021.

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

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

2. BASIS OF PREPARATION (Continued)

b. Critical accounting judgments, estimates and assumptions

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.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2021.

c. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of amendments to existing standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2022, replacing, amending, or adding to the corresponding accounting policies set out in the 2021 annual financial statements.

a) Amendments to Standards

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions may have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.	Annual periods beginning on or after 1 April 2021.
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in the statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IAS 41, 'Agriculture' and the Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective

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

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- A) embedded derivatives, if they meet certain specified criteria;
- B) distinct investment components; and
- C) any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models.

The General model is based on the following “building blocks”:

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts – (continued)

Measurement – (continued)

A) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA)

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

A) changes in the entity’s share of the fair value of underlying items,

B) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The effective date of IFRS 17 is currently 1 January 2023 and will supersede IFRS 4 “Insurance Contracts”. Earlier adoption is permitted if both IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the consolidated statement of income and the consolidated statement of financial position. The Company has decided not to early adopt this new standard.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact

The Company is currently in the implementation and dry run phase of IFRS 17 (i.e phase 4) which requires the installation of systems, implementation of design and policy choices, and completion of three dry runs comparing results under IFRS 4 and IFRS 17.

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

Key areas of focus	Summary of Impact
Governance and control Framework	The Company has a comprehensive IFRS 17 governance framework which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve decisions and assign roles and responsibilities to various stakeholders. The Company is currently implementing the control framework that will be adopted following IFRS 17 Go Live.
Operational impact	The Company is in the process of implementing the selected IFRS 17 software solution and is implementing changes to the accounting, actuarial modelling, processes and controls, data and systems to comply with the requirements of IFRS 17. This includes implementing the Phase 3 Design decisions, blueprints of its end state functional design, transition processes, a comprehensive data policy and data dictionary.
Technical and financial impact	The Company has documented the technical policy papers, finalizing the policy decisions and choices required under the IFRS 17 Standard. The policy decisions and choices are taken after performing detailed assessments and due deliberations among various stakeholders and have been approved by the Company's IFRS 17 Steering Committee. The Company is currently assessing the expected financial impact of adopting the IFRS 17 Standard.
Regulatory requirements with respect to IFRS 17 Phase 4	The Company performed the first IFRS 17 dry run in November 2021. This involved preparing the IFRS 17 financial statements as at 31 December 2020. The Second dry run was performed in May 2022, which included the preparation of the IFRS 17 financial statements as at 31 December 2021 along with the comparative statement of financial position as at 31 December 31, 2020. Subsequently, the audit of the second dry run was performed and the respective audit report was submitted to SAMA in September 2022. The monthly "Summary Progress Reports" from May to September 2022, were also submitted in due time. The Company has refined its implementation plan taking into consideration the learnings from the first and second dry runs. The next IFRS 17 dry run will be performed in November 2022.
IFRS 17 testing	The Company's implementation plan includes a number of testing phases: parallel runs and User Acceptance Testing (UAT), in addition to the dry runs.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and
- the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “fair value macro hedges”). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - a. the effective date of a new insurance contract standard; or
 - b. annual reporting periods beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 1, 2021:

- (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
- (2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

As at September 30, 2022, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 292 million and SR 33 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 286 million (2021: SR 318 million).

Investment in funds classified under trading will be at FVSI under IFRS 9. Other financial assets have a fair value of SR 1.189 million as at September 30, 2022 with a fair value change during the year of (0.479) million. The Company financial assets have low credit risk as at September 30, 2022 and December 31, 2021. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

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4. GOING CONCERN

As at 30 September 2022, the Company incurred net losses amounting to SR 24.5 million (September 30, 2021: SR 44.8 million) resulting in accumulated losses of SR 115.74 million (December 31, 2021: SR 91.25 million). At reporting period, the Company's accumulated losses reached 77% of its share capital (31 December 2021: 60.83%) and its solvency reached 18.3% (31 December 2021: 43.0%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern.

On 18 Shawal 1443H, corresponding to 19 May 2022, the Board of Directors recommended an increase in the Company's capital through offering a rights issue with a total value of SR 300 million to support the Company's future plans and enhance the solvency margin. On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors decided to amend the above recommendation to reduce the Company's capital to SR 100 million in order to amortize a part of accumulated losses amounting to SR 50 million (the capital reduction is through reduction of 1 share for every 3 shares). There will be no impact of capital reduction on the Company's financial obligations. Then increase the Company's capital after the reduction so the capital after the increase becomes SR 230 million through a rights issue of SR 130 million (the capital increase is through increasing of 1.3 shares for every 1 share).

In an Extraordinary General Assembly meeting (second meeting) held on 23 Muharram 1444H, corresponding to 21 August 2022, the shareholders approved the Board of Directors recommendation to direct the Company to proceed with the capital increase procedures and obtain the approval of the relevant regulatory authorities.

In respect of capital decrease (SR 50 million), the Company has received approval from SAMA and Capital Market Authority (CMA) on 4 Safar 1444H corresponding to 31 August 2022 and 24 Safar 1444H corresponding to 20 September 2022, respectively. Subsequently, in the Extraordinary General Assembly meeting held on 22 Rabi Al Awwal 1444H corresponding to 18 October 2022, the shareholders approved the Board of Directors recommendation regarding decrease of the Company's capital as stated above to SR 100 million.

In respect of capital increase (SR 130 million), the Company has received approval from SAMA and CMA on 11 Rabi Al Awwal 1444H corresponding to 7 October 2022 and 7 Rabi Al Thani 1444H corresponding to 1 November 2022, respectively. Subsequently, in the Extraordinary General Assembly meeting held on 12 Rabi Al Thani 1444H corresponding to 6 November 2022, the shareholders approved the Board of Directors recommendation regarding increase of the Company's capital as stated above to SR 230 million.

Based on the above, the Company's Management has assessed its ability to continue as a going concern and is satisfied that the Company's operations shall continue for the foreseeable future under the normal course of business. Accordingly, the interim condensed financial statements have been prepared on the going concern basis and do not include any adjustments, which may be required, if the Company is not able to continue as a going concern.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Bank balances and cash	15,255	49,959

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5. CASH AND CASH EQUIVALENTS– (continued)

	Shareholders' operations	
	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Bank balances and cash	745	79
Deposits maturing within 3 months from the acquisition date	73,811	109,114
	74,556	109,193
Total	89,811	159,152

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

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 101 million as at 30 September 2022 (31 December 2021: SR 77.9 million), which are held in Saudi Riyals in the Kingdom of Saudi Arabia and are presented in the statement of financial position of the shareholders separately (note 19). As at 30 September 2022, the deposit carrying commission rate at 3.3% to 5.5% (31 December 2021: 0.85% to 0.92%).

7. PREMIUMS RECEIVABLE, NET

Premiums receivables comprise of amounts due from the following:

	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Policyholders	65,484	46,954
Brokers and agents	23,737	28,209
Related parties (note 14)	1,564	603
	90,785	75,766
Provision for doubtful premiums receivables	(17,622)	(17,280)
Premiums receivable, net	73,163	58,486

Note: Premium balance receivable from brokers and agents as at 30 September 2022 amounting to SR 23.7 million (31 December 2021: SR 28.2 million) are ultimately due from customers that are insured through brokers and agents.

Movement in the allowance for doubtful premiums receivable during the period / year was as follows:

	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Balance at beginning of the period / year	17,280	19,671
Provided /(released) during the period / year	342	(2,391)
Balance at end of the period / year	17,622	17,280

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8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
- Held as FVSI	1,189	1,668

Movement in the fair value through statement of income (FVSI) investment balance is as follows:

	Shareholders' operations	
	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance	1,668	8,047
Realized gain on investments	-	42
Sold during the period / year	(666)	(6,658)
Unrealized gain on investments	187	237
Closing balance	1,189	1,668

	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Al Badr Murabaha Fund	-	664
Saudi Fransi GCC IPO Fund	1,189	1,004
	1,189	1,668

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Opening balance	-	60,329
Realized gain on held to maturity investment	-	5,218
Amortization of held to maturity investments	-	213
Sold during the period / year	-	(65,760)
Closing balance	-	-

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9. STATUTORY DEPOSIT

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 SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. Statutory deposit as at 30 September 2022 amounted to SR 22.5 million (2021: SR 22.5 million).

10. TECHNICAL RESERVES

10.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	30 September 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Outstanding claims	44,915	46,806
Claims incurred but not reported	21,685	15,745
	66,600	62,551
Premium deficiency reserve	35,986	34,527
Other technical reserves	442	391
Net outstanding claims and reserves	103,028	97,469

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Nine-months period ended 30 September 2022 (Unaudited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the period	108,727	-	108,727
Premium written during the period	173,341	-	173,341
Premium earned during the period	(170,721)	-	(170,721)
Balance as at the end of the period	111,347	-	111,347

	Year ended 31 December 2021 (Audited)		
	Gross	Reinsurance	Net
	SR'000		
Balance as at the beginning of the year	67,504	-	67,504
Premium written during the year	218,502	-	218,502
Premium earned during the year	(177,279)	-	(177,279)
Balance as at the end of the year	108,727	-	108,727

11. COMMITMENTS AND CONTINGENCIES

- There were no capital commitments outstanding as at 30 September 2022 (31 December 2021: 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 final 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.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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		Fair value			
	Carrying value	Level 1	Level 2 SR'000	Level 3	Total
30 September 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,189	-	1,189	-	1,189
	1,189	-	1,189	-	1,189
Financial assets not measured at fair value					
- Short-term murabaha deposits	100,843	-	-	100,843	100,843
	100,843	-	-	100,843	100,843

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

Shareholders' Operations	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
			SR'000		
31 December 2021 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,668	-	1,668	-	1,668
	<u>1,668</u>	<u>-</u>	<u>1,668</u>	<u>-</u>	<u>1,668</u>
Financial assets not measured at fair value					
- Short-term murabaha deposits	77,908	-	-	77,908	77,908
	<u>77,908</u>	<u>-</u>	<u>-</u>	<u>77,908</u>	<u>77,908</u>

There were no transfers between level 1, level 2 and level 3 during the period/year. All of the investment and Murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

13. 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.

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14. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of Transactions	Transactions for the Nine-months period ended		Balance receivable / (payable) as at	
		30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	31 December 2021 (Audited)

The above balances are included in premiums receivables, accrued expenses and other liabilities

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 Technical Director of the Company. The compensation of key management personnel during the Nine-month period is as follows:

	Nine-months period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
SR'000		
Salaries and other allowances	2,287	3,138
End of service indemnities	87	118
	2,374	3,256

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15. ZAKAT AND INCOME TAX

a. Charge for the period / year

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

Movements in provision during the period / year

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
	SR'000	
Balance at the beginning of the period / year	13,250	12,000
Adjusted provision for prior years	-	2,475
Provided during the period / year	500	1,512
Total provision charged to the interim condensed statement of income	500	3,987
Paid for the period / year	-	(2,737)
Balance at the end of the period / year	13,750	13,250

As the Company has incurred a loss during the nine-months period ended 30 September 2022, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of Zakat assessments

The Company has filed its Zakat and tax returns until years ended 31 December 2021 and zakat assessments until 2014 have been finalized and settled.

The Zakat, Tax and Customs Authority ("ZATCA") has raised assessments for the years 2015 through 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the Tax Violations and Dispute Resolutions Committee ("TVDR") against the ZATCA's assessment. The TVDR heard the case and issued the decision reducing the liability by SR 86 thousand. The Company and ZATCA filed an appeal with the Tax Violations and Dispute Appellate Committee ("TVDAC"). The Company is in the process of filing a response against ZATCA's appeal.

The zakat and tax returns for the years 2019 through 2021 are currently under review by the ZATCA.

Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the ZATCA could be different from the declarations filed by the Company. The Zakat is applicable on 81% of the shareholders' while Income Tax on 19% of the shareholders.

16. SHARE CAPITAL

As at 30 September 2022, the authorized, subscribed and paid up share capital of the Company was SR 150 million, divided into 15 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 off-setting with 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 will be reduced by SR 50 million. The capital reduction is through reduction of 1 share for every 3 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

On 20 Muharram 1444H corresponding to 18 August 2022, the Board of Directors recommended to increase the Company's capital, after the reduction, by SR 130 million through offering priority rights shares to reach to 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 will be increased by SR 130 million. The capital increase is through increasing of 1.3 shares for every 1 share held by the shareholder. The purpose of capital increase is to support the Company's future plans and enhance the solvency margin.

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17. CAPITAL MANAGEMENT

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

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

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

18. LOSS PER SHARE

a) The basic loss per share is calculated as follows:

	Nine-months period ended	
	30 September 2022	30 September 2021
	(Unaudited)	(Unaudited)
	SR'000	
Net loss for the period (SR '000)	(24,496)	(44,776)
Weighted average number of ordinary shares outstanding ('000 shares)	15,000	15,000
Basic and diluted loss per share (SR \ Share)	(1.63)	(2.99)

19. SUPPLEMENTARY INFORMATION

a) *Interim condensed statement of financial position*

	30 September 2022			31 December 2021		
	(Unaudited)			(Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
ASSETS						
Cash and cash equivalents	15,255	74,556	89,811	49,959	109,193	159,152
Short term murabaha deposits	-	100,843	100,843	-	77,908	77,908
Premiums receivable, net	73,163	-	73,163	58,486	-	58,486
Prepaid expenses and other assets	22,079	1,204	23,283	10,653	986	11,639
Deferred policy acquisition costs	5,770	-	5,770	6,926	-	6,926
Investments	-	1,189	1,189	-	1,668	1,668
Due from shareholders' operations	152,279	-	152,279	139,901	-	139,901
Property and equipment, net	1,477	-	1,477	1,523	-	1,523
Intangible assets, net	872	-	872	899	-	899
Right of use assets, net	1,311	-	1,311	679	-	679
Statutory deposit	-	22,500	22,500	-	22,500	22,500
Accrued commission income on statutory deposit	-	4,648	4,648	-	4,545	4,545
	272,206	204,940	477,146	269,026	216,800	485,826
Less: Inter-operations eliminations	(152,279)	-	(152,279)	(139,901)	-	(139,901)
TOTAL ASSETS	119,927	204,940	324,867	129,125	216,800	345,925

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

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

	30 September 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
<u>LIABILITIES</u>						
Accrued and other liabilities	49,719	4	49,723	53,860	349	54,209
Unearned premiums	111,347	-	111,347	108,727	-	108,727
Outstanding claims	44,915	-	44,915	46,806	-	46,806
Claims incurred but not reported	21,685	-	21,685	15,745	-	15,745
Premium deficiency reserve	35,986	-	35,986	34,527	-	34,527
Other technical reserves	442	-	442	391	-	391
Due to insurance operations	-	152,279	152,279	-	139,901	139,901
End-of-service indemnities	6,015	-	6,015	5,787	-	5,787
Lease liabilities	1,164	-	1,164	2,250	-	2,250
Zakat and income tax	-	13,750	13,750	-	13,250	13,250
Accrued commission income payable to SAMA	-	4,648	4,648	-	4,545	4,545
	271,273	170,681	441,954	268,093	158,045	426,138
Less: Inter-operations eliminations	-	(152,279)	(152,279)	-	(139,901)	(139,901)
<u>TOTAL LIABILITIES</u>	271,273	18,402	289,675	268,093	18,144	286,237
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	150,000	150,000	-	150,000	150,000
Accumulated losses	-	(115,741)	(115,741)	-	(91,245)	(91,245)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	34,259	34,259	-	58,755	58,755
Re-measurement reserve of defined indemnities obligation	933	-	933	933	-	933
<u>TOTAL EQUITY</u>	933	34,259	35,192	933	58,755	59,688
<u>TOTAL LIABILITIES AND EQUITY</u>	272,206	52,661	324,867	269,026	76,899	345,925

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income

For the three-months period ended 30
September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
REVENUES						
Gross premiums written:						
- Individual	38	-	38	3,476	-	3,476
- Micro enterprises	1,786	-	1,786	11,459	-	11,459
- Small enterprises	27,741	-	27,741	25,415	-	25,415
- Medium enterprises	15,282	-	15,282	11,099	-	11,099
- Large enterprises	31,924	-	31,924	21,510	-	21,510
Total gross premiums written	76,771	-	76,771	72,959	-	72,959
Net premiums written	76,771	-	76,771	72,959	-	72,959
Changes in unearned premiums, net	(18,754)	-	(18,754)	(25,954)	-	(25,954)
Net premiums earned	58,017	-	58,017	47,005	-	47,005
TOTAL REVENUES	58,017	-	58,017	47,005	-	47,005
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	46,967	-	46,967	30,615	-	30,615
Net claims paid	46,967	-	46,967	30,615	-	30,615
Changes in outstanding claims, net	5,726	-	5,726	7,222	-	7,222
Changes in claims incurred but not reported, net	1,709	-	1,709	486	-	486
Net claims incurred	54,402	-	54,402	38,323	-	38,323
Changes in premium deficiency reserve	5,241	-	5,241	9,229	-	9,229
Changes in other technical reserves	47	-	47	40	-	40
Policy acquisition costs	3,649	-	3,649	690	-	690
Other underwriting expenses	3,439	-	3,439	2,802	-	2,802
TOTAL UNDERWRITING COSTS AND EXPENSES	66,778	-	66,778	51,084	-	51,084
NET UNDERWRITING LOSS	(8,761)	-	(8,761)	(4,079)	-	(4,079)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

b) Interim condensed statement of income – (continued)

For the three-months period ended 30
September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Release of doubtful debts	3,347	-	3,347	1,557	-	1,557
General and administrative expenses	(7,490)	(1,537)	(9,027)	(10,533)	(524)	(11,057)
Commission income on deposits	-	1,406	1,406	-	679	679
Unrealized gain on investments	-	56	56	-	81	81
Realized gain / (loss) on investments	-	-	-	-	(13)	(13)
Other income	2,981	-	2,981	4	-	4
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(1,162)	(75)	(1,237)	(8,972)	223	(8,749)
NET (LOSS) / INCOME FOR THE PERIOD	(9,923)	(75)	(9,998)	(13,051)	223	(12,828)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net (loss) / income for the period attributed to shareholders' operations before zakat	(9,923)	(75)	(9,998)	(13,051)	223	(12,828)
Zakat expense	-	-	-	-	(750)	(750)
Net loss for the period attributed to shareholders	(9,923)	(75)	(9,998)	(13,051)	(527)	(13,578)
<u>loss per share (Expressed in SR per share)</u>						
Weighted average number of ordinary shares outstanding (in thousands shares)			15,000			15,000
Basic and diluted loss per share for the period (SR\Share)			(0.67)			(0.91)

c) Interim condensed statement of comprehensive income

For the three-months period ended 30
September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
Net loss for the period attributable to shareholders	-	(9,998)	(9,998)	-	(13,578)	(13,578)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(9,998)	(9,998)	-	(13,578)	(13,578)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income

For the nine-months period ended 30
September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
REVENUES						
Gross premiums written:						
- Individual	2,184	-	2,184	6,989	-	6,989
- Micro enterprises	10,862	-	10,862	21,187	-	21,187
- Small enterprises	69,755	-	69,755	55,437	-	55,437
- Medium enterprises	40,154	-	40,154	35,525	-	35,525
- Large enterprises	50,386	-	50,386	45,694	-	45,694
Total gross premiums written	173,341	-	173,341	164,832	-	164,832
Net premiums written	173,341	-	173,341	164,832	-	164,832
Changes in unearned premiums, net	(2,620)	-	(2,620)	(39,859)	-	(39,859)
Net premiums earned	170,721	-	170,721	124,973	-	124,973
TOTAL REVENUES	170,721	-	170,721	124,973	-	124,973
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	152,389	-	152,389	106,730	-	106,730
Net claims paid	152,389	-	152,389	106,730	-	106,730
Changes in outstanding claims, net	(1,891)	-	(1,891)	2,659	-	2,659
Changes in claims incurred but not reported, net	5,940	-	5,940	1,950	-	1,950
Net claims incurred	156,438	-	156,438	111,339	-	111,339
Changes in Premium deficiency reserve	1,459	-	1,459	17,537	-	17,537
Changes in Other technical reserves	51	-	51	32	-	32
Policy acquisition costs	10,614	-	10,614	4,471	-	4,471
Other underwriting expenses	8,838	-	8,838	5,988	-	5,988
TOTAL UNDERWRITING COSTS AND EXPENSES	177,400	-	177,400	139,367	-	139,367
NET UNDERWRITING LOSS	(6,679)	-	(6,679)	(14,394)	-	(14,394)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

d) Interim condensed statement of income – (continued)

For the nine-months period ended 30
September

	2022			2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
<u>OTHER OPERATING</u>						
<u>(EXPENSES) / INCOME</u>						
(Allowance for) / Release of doubtful debts	(342)	-	(342)	737	-	737
General and administrative expenses	(23,679)	(2,582)	(26,261)	(35,038)	(2,142)	(37,180)
Commission income on deposits	-	3,299	3,299	-	2,519	2,519
Unrealized gain on investments	-	187	187	-	269	269
Realized gain on investments	-	-	-	-	5,418	5,418
Other income	5,800	-	5,800	105	-	105
TOTAL OTHER OPERATING						
(EXPENSES) / INCOME	(18,221)	904	(17,317)	(34,196)	6,064	(28,132)
NET (LOSS) / INCOME FOR THE PERIOD	(24,900)	904	(23,996)	(48,590)	6,064	(42,526)
Net Income / (Loss) attributed to the insurance operations	-	-	-	-	-	-
Net (loss) / Income for the period attributed to shareholders' operations before zakat	(24,900)	904	(23,996)	(48,590)	6,064	(42,526)
Zakat expense	-	(500)	(500)	-	(2,250)	(2,250)
Net (loss) / Income for the period attributed to shareholders	(24,900)	404	(24,496)	(48,590)	3,814	(44,776)
Loss per share (Expressed in SR per share)						
Weighted average number of ordinary shares outstanding (in thousands shares)			15,000			15,000
Basic and diluted loss per share for the period (SR\Share)			(1.63)			(2.99)

e) Interim statement of comprehensive income

For the nine-months period ended 30
September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
Net loss for the period attributable to shareholders	-	(24,496)	(24,496)	-	(44,776)	(44,776)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(24,496)	(24,496)	-	(44,776)	(44,776)

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FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

f) Interim condensed statement of cash flows

For the nine-months period
ended 30 September

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before zakat	-	(23,996)	(23,996)	-	(42,526)	(42,526)
Adjustments for non-cash items:						
Depreciation of property and equipment	563	-	563	824	-	824
Depreciation of right of use assets	916	-	916	1,374	-	1,374
Finance cost on lease liabilities	16	-	16	32	-	32
Amortization of intangible assets	271	-	271	369	-	369
Allowance for / (Release of) doubtful debts	342	-	342	(737)	-	(737)
Unrealized gain on investments	-	(187)	(187)	-	(269)	(269)
Realized gain on investment	-	-	-	-	(5,418)	(5,418)
Provision for end-of-service indemnities	228	-	228	730	-	730
	2,336	(24,183)	(21,847)	2,592	(48,213)	(45,621)
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(15,019)	-	(15,019)	(24,873)	-	(24,873)
Reinsurer receivable	-	-	-	421	-	421
Reinsurer share of outstanding claims	-	-	-	119	-	119
Deferred policy acquisition costs	1,156	-	1,156	(3,011)	-	(3,011)
Prepaid expenses and other assets	(11,426)	(218)	(11,644)	(452)	(95)	(547)
Accrued and other liabilities	(4,141)	(345)	(4,486)	14,383	(3,987)	10,396
Accrued commission income on statutory deposit	-	(103)	(103)	-	(133)	(133)
Unearned premiums	2,620	-	2,620	39,859	-	39,859
Outstanding claims	(1,891)	-	(1,891)	2,540	-	2,540
Claims incurred but not reported	5,940	-	5,940	1,950	-	1,950
Premium deficiency reserve	1,459	-	1,459	17,536	-	17,536
Other technical reserves	51	-	51	32	-	32
Accrued commission income payable to SAMA	-	103	103	-	133	133
Due to Insurance Operations	-	12,378	12,378	-	24,804	24,804
Due from Shareholders' Operations	(12,378)	-	(12,378)	(24,804)	-	(24,804)
Cash (used in) / generated from operations activities	(31,293)	(12,368)	(43,661)	26,292	(27,491)	(1,199)
End-of-service indemnities paid	-	-	-	(159)	-	(159)
Zakat paid	-	-	-	(2,737)	-	(2,737)
Net cash (used in) / generated from operating activities	(31,293)	(12,368)	(43,661)	23,396	(27,491)	(4,095)

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FOR THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022

19. SUPPLEMENTARY INFORMATION – (continued)

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

For the nine-months period
ended 30 September

	2022			2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement of short term murabaha deposits	-	(22,935)	(22,935)	-	(37,840)	(37,840)
Proceeds from the sale of investments	-	666	666	-	65,747	65,747
Addition in right of use assets, net	(2,250)	-	(2,250)	-	-	-
Purchase of property and equipment	(517)	-	(517)	(439)	-	(439)
Purchase of intangible assets	(244)	-	(244)	(187)	-	(187)
Net cash (used in) / generated from investing activities	(3,011)	(22,269)	(25,280)	(626)	27,907	27,281
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of finance lease	(400)	-	(400)	-	-	-
Net cash used in financing activities	(400)	-	(400)	-	-	-
Net change in cash and cash equivalents	(34,704)	(34,637)	(69,341)	22,770	416	23,186
Cash and cash equivalents, beginning of the period	49,959	109,193	159,152	13,641	101,585	115,226
Cash and cash equivalents, end of the period	15,255	74,556	89,811	36,411	102,001	138,412

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 7 Rabi' Al-Thani 1444H, corresponding to 1 November 2022.