

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE AND SIX MONTH PERIODS ENDED  
30 JUNE 2022**

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2022

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**Headquarters in Riyadh**

C.R. No. 1010425494



**Ibrahim Ahmed Al-Bassam & Co**  
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P. O. Box 69658  
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Kingdom of Saudi Arabia

CR: 1010385804

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

**TO: THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

#### Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Al Alamiya for Cooperative Insurance Company** (the "Company") as at 30 June 2022, the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and interim condensed statements of changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. 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 are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

#### Scope of review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 30 June 2022 are not prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

**KPMG Professional Services**

**Dr. Abdullah Hamad Al Fozan**  
Certified Public Accountant  
License No. 348



27 Muharram 1444H  
25 August 2022

**For Al-Bassam & Co.**

**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
License No. 337




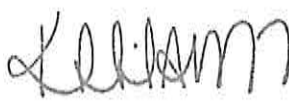
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022

		SAR '000	
		June 30, 2022	December 31, 2021
	<i>Notes</i>	(Unaudited)	(Audited)
<b>ASSETS</b>			
Bank balances and cash	4	27,713	41,292
Term deposits	5	414,920	433,071
Premiums and reinsurers receivable, net	6	49,664	37,575
Reinsurers' share of unearned premiums	8.2	24,074	25,843
Reinsurers' share of outstanding claims	8.1	77,021	99,384
Reinsurers' share of claims incurred but not reported	8.1	7,607	6,844
Deferred policy acquisition costs		3,896	3,006
Investments	7	125,662	127,766
Due from related parties	12	14	--
Prepaid expenses and other assets		28,294	26,818
Deferred tax asset	13	1,206	1,206
Property and equipment		1,951	1,695
Intangible assets		2,671	3,659
Statutory deposit		40,000	40,000
Accrued commission income on statutory deposit		5,572	5,572
<b>TOTAL ASSETS</b>		<b>810,265</b>	<b>853,731</b>

  
Yasir Iqbal  
Acting Chief Financial Officer

  
Khalid Allaqany  
Chief Executive Officer

  
Abdulaziz Bin Hasan  
Board Chairman


The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)  
AS AT 30 JUNE 2022

		SAR' 000	
		June 30, 2022	December 31,
	Notes	(Unaudited)	2021
			(Audited)
<b>LIABILITIES</b>			
Outstanding claims reserve	8.1	98,498	131,242
Claims incurred but not reported	8.1	32,255	22,228
Other technical reserves	8.1	4,791	6,752
Accrued expenses and other liabilities		42,878	41,813
Reinsurers' balances payable		67,472	91,117
Unearned premiums	8.2	119,627	100,305
Accounts payables		1,923	1,932
Unearned reinsurance commission		5,405	2,376
Due to related parties	12	17,409	10,419
End-of-service benefits		10,552	11,106
Zakat and income tax	13	54,435	53,815
Accrued commission income payable to SAMA		5,572	5,572
Accumulated surplus		8,223	8,223
<b>TOTAL LIABILITIES</b>		<b>469,040</b>	<b>486,900</b>
<b>EQUITY</b>			
Share capital	14	400,000	400,000
Statutory reserve	17	1,161	1,161
Accumulated losses		(59,925)	(36,880)
Fair value reserve for available for sale investments	7	(732)	1,829
Actuarial reserve for employee benefits		721	721
<b>TOTAL EQUITY</b>		<b>341,225</b>	<b>366,831</b>
<b>TOTAL LIABILITIES, INSURANCE</b>			
<b>OPERATIONS' SURPLUS AND EQUITY</b>			
		<b>810,265</b>	<b>853,731</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
	9	1,677	1,500

  
Yasir Iqbal  
Acting Chief Financial Officer

  
Khalid Allaqany  
Chief Executive Officer

  
Abdulaziz Bin Hasan  
Board Chairman

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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)  
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2022**

	Note	SAR '000			
		For the three month		For the six month	
		period ended June 30	period ended June 30	period ended June 30	period ended June 30
		2022	2021	2022	2021
<b>REVENUES</b>					
Gross premiums written					
- Direct		86,696	57,472	159,270	107,810
- Reinsurance		--	--	182	219
	8.2	86,696	57,472	159,452	108,029
Reinsurance premiums ceded					
- Local		(1,423)	(890)	(2,037)	(1,464)
- Foreign		(22,026)	(24,613)	(43,227)	(46,227)
		(23,449)	(25,503)	(45,264)	(47,691)
Excess of loss premium					
- Local		(173)	(14)	(304)	(456)
- Foreign		(3,283)	(272)	(5,762)	(8,667)
		(3,456)	(286)	(6,066)	(9,123)
Total reinsurance premium ceded	8.2	(26,905)	(25,789)	(51,330)	(56,814)
<b>NET PREMIUMS WRITTEN</b>		59,791	31,683	108,122	51,215
Changes in unearned premiums		(14,369)	(6,845)	(19,322)	(11,359)
Changes in reinsurers' share of unearned premiums		2,965	(4,880)	(1,769)	(13,208)
Changes in deferred excess of loss premiums		-	(2,343)	-	4,958
<b>NET PREMIUMS EARNED</b>		48,387	17,615	87,031	31,606
Reinsurance commissions		887	4,258	4,462	8,580
<b>TOTAL REVENUES</b>		49,274	21,873	91,493	40,186
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(49,911)	(20,122)	(94,558)	(32,596)
Reinsurers' share of claims paid		8,749	12,099	24,434	19,553
<b>NET CLAIMS PAID</b>		(41,162)	(8,023)	(70,124)	(13,043)
Changes in outstanding claims		33,103	(4,571)	32,744	(11,979)
Changes in reinsurers' share of outstanding claims		(21,830)	(353)	(22,363)	5,767
Changes in claims incurred but not reported, net		(8,404)	4,980	(9,264)	4,617
Changes in other technical reserves		13,637	(94)	1,961	1,513
<b>NET CLAIMS INCURRED</b>		(24,656)	(8,061)	(67,046)	(13,125)
Policy acquisition costs		(8,876)	(2,307)	(11,000)	(4,856)
Other underwriting expenses		(4,874)	(3,580)	(10,443)	(4,171)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		(38,406)	(13,948)	(88,489)	(22,152)
<b>NET UNDERWRITING INCOME</b>		10,868	7,925	3,004	18,034
<b>OTHER OPERATING (EXPENSES) / INCOME</b>					
(Charge) / Reversal for doubtful debts	6	(177)	(121)	(1,291)	2,176
General and administrative expenses		(13,695)	(13,127)	(30,215)	(27,106)
Investment income on term deposits		1,653	455	2,563	1,131
Investment income on bonds and sukuk		797	918	1,664	1,835
Other income		884	2,162	3,830	4,755
<b>TOTAL OTHER OPERATING EXPENSES</b>		(10,538)	(9,713)	(23,449)	(17,209)
<b>TOTAL INCOME / (LOSS) FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>		330	(1,788)	(20,445)	825
<b>ZAKAT CHARGE FOR THE PERIOD</b>		(1,962)	(1,829)	(3,531)	(3,653)
<b>INCOME TAX REVERSAL FOR THE PERIOD - PRIOR YEAR</b>		931	139	931	13
<b>TOTAL LOSS FOR THE PERIOD AFTER ZAKAT AND INCOME TAX</b>		(701)	(3,478)	(23,045)	(2,815)
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>	16B	--	162	--	--
<b>NET LOSS AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		(701)	(3,316)	(23,045)	(2,815)
<b>BASIC AND DILUTED LOSS PER SHARE(SAR)</b>		(0.02)	(0.08)	(0.58)	(0.07)

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

Yasir Iqbal  
Acting Chief Financial Officer

Khalid Allagany  
Chief Executive Officer

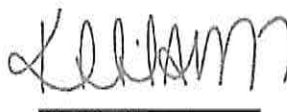
Abdulaziz Bin Hasan  
Board Chairman

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)  
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2022

	<i>Note</i>	SAR '000			
		For the three month period ended June 30		For the six month period ended June 30	
		2022	2021	2022	2021
Total (loss) / income for the period after zakat and income tax		(701)	(3,478)	(23,045)	(2,815)
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>-Items that may be reclassified to interim condensed statement of income in subsequent periods</i>					
Change in fair value of available for sale investments	7	(623)	(557)	(2,561)	16
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>(1,324)</b>	<b>(4,035)</b>	<b>(25,606)</b>	<b>(2,799)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO THE INSURANCE OPERATIONS</b>	16C	<b>-</b>	<b>162</b>	<b>-</b>	<b>--</b>
<b>NET COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>(1,324)</b>	<b>(3,873)</b>	<b>(25,606)</b>	<b>(2,799)</b>

  
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2022  
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022  
Unaudited - SAR in '000'

2022	Note	Share capital	Statutory Reserve	Accumulated Losses	Fair value reserve for available for sale investments	Actuarial reserve for employees benefits	Total Equity
Balance at January 1, 2022 (Audited)		400,000	1,161	(36,880)	1,829	721	366,831
Total comprehensive income for the period							
Changes in fair values of available for sale investments					(2,561)	-	(2,561)
Net loss after zakat and income tax for the period attributable to shareholders	7			(23,045)			(23,045)
Balance at June 30, 2022 (Unaudited)		400,000	1,161	(59,925)	(732)	721	341,225

2021	Share capital	Statutory Reserve	Accumulated Losses	Fair value reserve for available for sale investments	Actuarial reserve for employees benefits	Total Equity
Balance at January 1, 2021 (Audited)	400,000	1,161	(1,503)	3,768	255	403,681
Total comprehensive income for the period						
Changes in fair values of available for sale investments				16	--	16
Net loss after zakat and income tax for the period attributable to shareholders			(2,815)	--	--	(2,815)
Balance at June 30, 2021 (Unaudited)	400,000	1,161	(4,318)	3,784	255	400,882

  
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**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

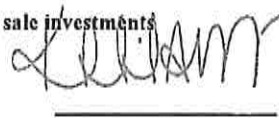
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 2022**

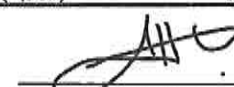
		SAR '000	
	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total (loss) / income for the period before Zakat & Income Tax		(20,445)	825
Adjustments for non-cash items:			
Amortization of intangible assets / depreciation of property and equipment		1,650	1,752
Amortization of investments	7	216	156
Charge / (Reversal) of provisions for doubtful debts	6	1,291	(2,176)
Provision for end-of-service indemnities		781	875
		(16,507)	1,432
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable		(13,380)	1,811
Reinsurers' share of unearned premiums		1,769	13,208
Reinsurers' share of outstanding claims		22,363	(5,767)
Reinsurers' share of claims Incurred but not reported		(763)	(465)
Deferred policy acquisition costs		(890)	(1,174)
Deferred excess of loss premiums		-	(4,958)
Due from related parties		(14)	(1,179)
Prepaid expenses and other assets		(1,476)	(12,548)
Accounts payables		(9)	(1,413)
Accrued expenses and other liabilities		1,065	4,907
Reinsurers' balances payable		(23,645)	(12,965)
Unearned premiums		19,322	11,359
Unearned reinsurance commission		3,029	(495)
Outstanding claims reserve		(32,744)	11,979
Claims incurred but not reported		10,027	(4,152)
Other technical reserves		(1,961)	(1,513)
Due to related parties		6,990	1,233
		(26,824)	(700)
Zakat & income tax paid	13	(1,980)	(950)
End-of-service benefits paid		(1,335)	(500)
Surplus paid to policy holders		-	(2,369)
Net cash used in operating activities		(30,139)	(4,519)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions in investments, net		(673)	--
Disposals in term deposits		18,151	4,749
Additions in intangible assets / property and equipment		(918)	(1,339)
Net cash generated from investing activities		16,560	3,410
Net change in cash and cash equivalents		(13,579)	(1,109)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		40,592	22,356
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	27,013	21,247

**NON-CASH INFORMATION**

Change in fair value of available for sale investments	7	(2,561)	16
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Yasir Iqbal  
Acting Chief Financial Officer

  
Khalid Allaqany  
Chief Executive Officer

  
Abdulaziz Bin Hasan  
Board Chairman

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

# AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company" or "Al Alamiya") is a Saudi Joint Stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for Cooperative Insurance Company  
8428 King Fahad Road, Al Muhammadiyah District,  
Grand Tower, Floor 20, P.O. Box: 6393,  
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from the Saudi Central Bank (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPERATION

#### (a) Basis of presentation

The interim condensed financial information of the Company as at and for the period ended 31 June 2022 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting (IAS 34)' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments and end of service at present value of future obligations using projected unit credit method. 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: bank balances and cash, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, reinsurance share of claims IBNR, deferred policy acquisition costs, deferred excess of loss premiums, due from related parties and prepaid expenses and other assets. The following balances would generally be classified as non-current property and equipment, intangible assets, statutory deposit, accrued commission on statutory deposit, available for sale investments in insurance operations, and deferred tax assets.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the interim condensed financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity is recorded in the respective accounts.

The interim condensed 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 in note 16 of the interim condensed financial statement 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 below in note 16 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

**2. BASIS OF PREPERATION (CONTINUED)**

**(a) Basis of presentation (continued)**

In preparing the Company-level financial information 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 unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity.

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

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

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

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

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

In preparing these interim condensed financial statement, 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 were applied to the annual financial statement as at and for the year ended 31 December 2021. Further, the Company has considered the following:

- On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus (Covid-19) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.
- The COVID-19 pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.
- In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:
  - the health and safety of its employees and the wider community where it is operating
  - the continuity of its business throughout the Kingdom is protected and kept intact.

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of these unaudited interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

**(a) Standards adopted during the period**

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, and IFRS 16	<p>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.</p> <p>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 recognise such sales proceeds and related cost in statement of income.</p> <p>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.</p> <p>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

**(b) Standards issued but not yet effective**

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on January 1, 2022 and is currently assessing their impact:

<u>Standard, interpretation, amendments</u>	<u>Description</u>	<u>Effective date</u>
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

**i) IFRS 9 Financial Instruments**

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *IFRS 9 Financial Instruments (continued)*

*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:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- ii) 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:

- i) 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;
- ii) 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.

*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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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 9 Financial Instruments (continued)*

*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 September 12, 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 January 1, 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 preliminary assessment which included below:

- (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 interim condensed financial statements.

**Impact assessment**

The Company completed the Gap Assessment Phase in line with the mandated timeline by SAMA, by 31st March 2022. As per the gap assessment conducted, the financial assets included in the scope of IFRS 9 are bank balances and cash, term deposits, statutory deposits, accrued income on statutory deposits and available for sale investments. The assets / liabilities recognized and measured under IFRS 4 currently (prospectively IFRS 17), IFRS 9 explicitly scope out any rights and obligation arising under insurance contract and measured under IFRS 17.

The Company has also completed the first dry run for year 2021 data and assessed the impact of the application and implementation of IFRS 9. Company has completed the development of Business model, SPPI frameworks and ECL models along with the relevant policies and made the submission of 1st dry run exercise of IFRS 9 on 31st May 2022, in line with SAMA's submission schedule. Based on the dry run exercise the ECL impact for year 2021 is assessed as SR (0.2) million.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*i) IFRS 9 Financial Instruments (continued)*

The Company expects to use the Amortized Cost classification for bank balances and term deposits, on the basis of the Held to Collect business model of the company for these financial assets and also because the company expects these financial assets to pass the Solely Principal and Interest Payments (SPPI) test as required under IFRS 9. On the basis of the Held to Collect and Sell business model of the company for these financial assets and also because the company expects these financial assets to pass the Solely Principal and Interest Payments (SPPI) test as required under IFRS 9. For equity investments in Najm, company is yet to decide on the irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses) and is currently in the process of assessing the impact of adopting the OCI option.

The Company financial assets have low credit risk as at June 30, 2022 and December 31, 2021. 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.

*ii) IFRS 17 Insurance Contracts*

*Overview*

This standard was published on May 18, 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:

- i) embedded derivatives, if they meet certain specified criteria;
- ii) distinct investment components; and
- iii) 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 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following “building blocks”:

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;

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) *IFRS 17 Insurance Contracts (continued)*

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) 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, in addition to adjustment under GMM, the CSM is also adjusted for:

- i) the entity's share of the changes in the fair value of underlying items;
- ii) the effect of changes in the time value of money and in 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 remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts 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 Measurement Model remains applicable for the measurement of the liability for 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 Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

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 and reinsurance and investment contracts with discretionary participating features, if applicable together with amendments to presentation and disclosures.



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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Impact assessment:*

The design phase of IFRS 17 implementation required company to develop and design new processes for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase:

Impact Area	Summary of Impact
<b>Reinsurance contracts held</b>	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Detailed assessment was performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, the Company has opted to apply PAA for eligible products.
<b>Financial Impact</b>	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all the portfolios are eligible for PAA measurement model.
<b>Data Impact</b>	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3, in which the data elements were categorized into 16 different datasets, containing all elements required by the engine.
<b>IT Systems Impact</b>	Assessment was performed on existing systems capabilities for IFRS 17 calculations and user requirements specification was anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems / calculation engines should be implemented.
<b>Implementation Plan</b>	<p><b>Governance and Control Framework</b></p> <p>The Company put in place a IFRS 17 governance program which included establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders</p> <p><b>Operational Framework</b></p> <p>The Company designed operational aspects of the design phase which included:</p> <ul style="list-style-type: none"> <li>• Establishing comprehensive data policy and data dictionary.</li> <li>• Company obtained the software license of Tagetik to install their calculation engine in line with the Company's group decision and identified the future state architectural design and the requirements, which need to be embedded in the calculation engine to meet the requirements of IFRS 17.</li> <li>• Finalizing various key processes needed for IFRS 17 transition.</li> <li>• Carrying out assessment of new resources, if any, to be recruited due to Adoption of IFRS 17, and creation of a recruitment plan.</li> </ul> <p><b>Technical and Financial Framework</b></p> <p>The Company completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions had been taken after due deliberations among various stakeholders and majority of policy papers were approved by the Company's IFRS 17 project steering committee.</p>

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<b>Impact Area</b>	<b>Summary of Impact</b>
<b>Dry Run 1</b>	<p>After the design phase, the Company started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs, and started the implementation, to come up with IFRS 17 numbers by performing the first dry run.</p> <p>The Company submitted the 31 December 2020 financial statements as part of the first dry run to SAMA on 30 November 2021. After the submission, the Company also attended the SAMA meeting on the December 16, 2021 to present the first dry run submission to SAMA.</p> <p>The Company's internal audit department worked on the SAMA mandated internal audit on the design and operating effectiveness of controls during the first dry run, whose report was submitted to SAMA by 31 January 2022.</p> <p>Report covered the following areas:</p> <ul style="list-style-type: none"> <li>• Data governance</li> <li>• Assumptions and methodology</li> <li>• Model governance</li> <li>• Process governance</li> <li>• Change management</li> </ul>
<b>Dry Run 2</b>	<p>The Company submitted the 31 December 2021 financial statements as part of the second dry run to SAMA on 31 May 2022. After the submission, the Company also attended the SAMA meeting on the June 26, 2022 to present the second dry run submission to SAMA.</p> <p>There is requirement from regulator to have special audit for the second dry run by external auditors. For conducting this special audit for second dry run for year 2021, auditor has been selected. Special audit of the second dry run is currently in progress.</p>
<b>Dry Run 3</b>	<p>Based on the progress made against the internal milestones and the successful submission of the second dry run results within the SAMA stipulated deadline, the preparations to carry out the 3rd dry run exercise remains in line with SAMA's submission schedule.</p>

**4. BANK BALANCES AND CASH**

Cash and cash equivalents comprise the following:

	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>SAR'000</b>		
Bank balances and cash – Insurance operations	25,910	37,714
Bank balances and cash – Shareholders' operations	1,103	2,878
<b>Total</b>	<b>27,013</b>	<b>40,592</b>
Cash and cash equivalents in statement of cashflows	27,013	40,592
Deposits against letters of guarantee – Insurance operations*	700	700
<b>Total</b>	<b>27,713</b>	<b>41,292</b>

\* The Company holds an amount of SAR 0.7 million (31 December 2021: SAR 0.7 million) as letters of guarantee in favor of the Company's service providers.

**5. TERM DEPOSITS**

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standards and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average of 1.24% per annum (2021: 1.5% per annum).

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**6. PREMIUMS AND REINSURERS' RECEIVABLE, NET**

Receivables comprise amounts due from the following:

	<b>Insurance operations</b>	
	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>SAR'000</b>		
Policyholders	18,181	15,905
Brokers and agents	25,734	17,370
Related parties (note 12)	12,961	10,701
Receivables from reinsurers	6,093	5,613
	<u>62,969</u>	<u>49,589</u>
Provision for doubtful receivables	(13,305)	(12,014)
<b>Premiums and reinsurers' receivable – net</b>	<u>49,664</u>	<u>37,575</u>

Allowance for impairment of receivables includes SAR 0.21 million (31 December 2021: SR Nil) against receivables from related parties.

**Movement in provision for doubtful receivables:**

	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>SAR '000</b>		
Balance at 1 January	12,014	11,108
Charge of provision for the period / year	1,291	906
<b>Closing balance</b>	<u>13,305</u>	<u>12,014</u>

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**7. INVESTMENTS**

Investments are classified as follows:

<b>SAR'000</b>	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Available for sale investments – Insurance operations *	1,923	1,923
Available for sale investments – Shareholders' operations	123,739	125,843
<b>Total available for sale investments</b>	<b>125,662</b>	<b>127,766</b>

\* This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost.

Movement in the investment balance for shareholders' operations is as follows:

	<b>Shareholders' operations</b>	
<b>SAR'000</b>	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Opening balance	125,843	128,093
Purchases	64,798	--
Maturities	(64,125)	--
Amortization of investments	(216)	(311)
Changes in fair value of investments	(2,561)	(1,939)
<b>Closing balance</b>	<b>123,739</b>	<b>125,843</b>

The geographical split of investments held as available for sale comprise of sukuk issued by Government of the Kingdom of Saudi Arabia.

The cumulative unrealized (loss) / gain in fair value of available for sale investments amounts to SR (0.732) million (31 December 2021: SR 1.83 million) is presented within the equity in the statement of interim condensed financial position.

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**8. TECHNICAL RESERVES**

**8.1 NET OUTSTANDING CLAIMS AND RESERVES**

Net outstanding claims and reserves comprise of the following:

SAR'000	Insurance operations	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Outstanding claims	114,101	147,809
Less: Realizable value of salvage and subrogation	(15,603)	(16,567)
- Outstanding claims reserve	98,498	131,242
- Claims incurred but not reported	32,255	22,228
- Other technical reserves	4,791	6,752
	135,544	160,222
Less:		
- Reinsurers' share of outstanding claims	(77,021)	(99,384)
- Reinsurers' share of claims Incurred but not reported	(7,607)	(6,844)
	(84,628)	(106,228)
<b>Net outstanding claims and reserves</b>	<b>50,916</b>	<b>53,994</b>

**8.2 MOVEMENT IN UNEARNED PREMIUMS**

Movement in unearned premiums comprise of the following

SAR'000	Six months ended June 30, 2022 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	100,305	(25,843)	74,462
Premium written during the period	159,452	*(51,330)	108,122
Premium earned during the period	(140,130)	53,099	(87,031)
Balance as at the end of the period	119,627	(24,074)	95,553

\*This amount includes SR 43.2 million for reinsurance premium ceded abroad, SR 2.0 million for reinsurance premium ceded locally and SR 5.7 million for excess of loss expense ceded abroad and SR 0.3 million for excess of loss ceded locally.

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**8.2 MOVEMENT IN UNEARNED PREMIUMS (CONTINUED)**

SAR'000	Year ended December 31, 2021 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	60,932	(42,241)	18,691
Premium written during the year	263,637	*(114,189)	149,448
Premium earned during the year	(224,264)	130,587	(93,677)
Balance as at the end of the year	100,305	(25,843)	74,462

\*This amount includes SR 104.3 million for reinsurance premium ceded abroad, SR 3.0 million for reinsurance premium ceded locally and SR 6.5 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

**9. COMMITMENTS AND CONTINGENCIES**

a) The Company's commitments and contingencies are as follows:

SAR'000	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Letters of guarantee	700	700
Commitments for the rents	977	800
<b>Total</b>	<b>1,677</b>	<b>1,500</b>

b) The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not 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.

**10. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

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

**Determination of fair value and fair value hierarchy**

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

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

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

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

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10. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

SAR'000s June 30, 2022 (Unaudited) Available for sale investments measured at fair value <u>Shareholders' operations</u>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Sukuk	123,739	123,739	-	-	123,739
<u>Insurance Operations</u>					
Najm	1,923	-	-	1,923	1,923
	125,662	123,739	-	1,923	125,662

SAR'000s December 31, 2021 (Audited) Available for sale investments measured at fair value <u>Shareholders' operations</u>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Sukuk	125,843	125,843	--	--	125,843
<u>Insurance Operations</u>					
Najm	1,923	--	--	1,923	1,923
	127,766	125,843	--	1,923	127,766

The unlisted security of SR 1.92 million (31 December 2021: SR 1.92 million) held as part of Company's insurance operations, were stated at cost.

During the six-month period ended 30 June 2022, there were no transfers into or out of level 3 fair value measurements. Further, there were no transfers from Level 1 to Level 2 during the three-month period ended 30 June 2022.

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**11. OPERATING SEGMENTS**

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

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

Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2021.

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

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



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**II. OPERATING SEGMENTS (CONTINUED)**

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at June 30, 2022 and December 31, 2021, its total revenues, expenses, and net income for the three months and six months period then ended, are as follows:

As at June 30, 2022 (Unaudited)										
Operating segments	Insurance operations						Shareholders' operations	Total		
	Property	Motor	Engineering	Medical	Marine	Group life			Others	Total - Insurance operations
Assets										
Reinsurers' share of unearned premiums	19,301	-	3,124	-	1,039	197	413	24,074	-	24,074
Reinsurers' share of outstanding claims	12,075	-	4,352	9	3,459	48,864	8,262	77,021	-	77,021
Reinsurers' share of claims Incurred but not reported	1,108	-	105	-	183	6,199	12	7,607	-	7,607
Deferred policy acquisition costs	747	2,814	82	-	122	29	102	3,896	-	3,896
Unallocated assets								298,068	405,462	703,530
Total assets	33,231	2,814	7,663	9	4,803	55,289	8,789	410,666	405,462	816,128
Liabilities and equity										
Outstanding claim reserve	15,186	7,931	5,976	11	4,862	62,507	2,025	98,498	-	98,498
Claims incurred but not reported	2,770	21,254	156		229	7,749	97	32,255	-	32,255
Other technical reserves	3,987	-	553		251			4,791	-	4,791
Unearned premiums	22,172	90,364	3,438	-	1,266	333	2,054	119,627	-	119,627
Unearned reinsurance commission	4,231	163	770	-	334	29	(122)	5,405	-	5,405
Unallocated liabilities								150,090	405,462	555,552
Total liabilities, insurance operations' surplus and equity	48,346	119,712	10,893	11	6,942	70,618	4,054	410,666	405,462	816,128

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11. OPERATING SEGMENTS (CONTINUED)

As at December 31, 2021 (Audited)

Operating segments	Insurance operations							Total - Insurance operations	Shareholders' operations	Total
	Property	Motor	Engineering	Medical	Marine	Group life	Others			
	SAR'000									
<b>Assets</b>										
Reinsurers' share of unearned premiums	17,206	--	2,990	-	1,387	210	4,050	25,843	-	25,843
Reinsurers' share of outstanding claims	21,736	2,082	4,503	9	2,275	64,425	4,354	99,384	-	99,384
Reinsurers' share of claims Incurred but not reported	2,483	--	205	(803)	137	4,822	--	6,844	-	6,844
Deferred policy acquisition costs	532	2,061	180	--	60	41	132	3,006	-	3,006
Unallocated assets	--	--	--	--	--	--	--	318,796	428,446	747,242
<b>Total assets</b>	<b>41,957</b>	<b>4,143</b>	<b>7,878</b>	<b>(794)</b>	<b>3,859</b>	<b>69,498</b>	<b>8,536</b>	<b>453,873</b>	<b>428,446</b>	<b>882,319</b>
<b>Liabilities and equity</b>										
Outstanding claim reserve	25,852	5,257	5,862	11	3,984	84,946	5,330	131,242	-	131,242
Claims incurred but not reported	2,853	12,657	308	(12)	183	6,155	84	22,228	-	22,228
Other technical reserves	2,210	3,262	810	--	434	36	--	6,752	-	6,752
Unearned premiums	19,718	69,424	3,469	--	1,845	350	5,499	100,305	-	100,305
Unearned reinsurance commission	1,261	163	723	--	376	-	(147)	2,376	-	2,376
Unallocated liabilities	--	--	--	--	--	--	--	190,970	428,446	619,416
<b>Total Liabilities, Insurance operations' surplus and equity</b>	<b>51,894</b>	<b>90,763</b>	<b>11,172</b>	<b>(1)</b>	<b>6,822</b>	<b>91,487</b>	<b>10,766</b>	<b>453,873</b>	<b>428,446</b>	<b>882,319</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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## For the six months period ended June 30, 2022 - (Unaudited)

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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**11. OPERATING SEGMENTS (CONTINUED)**

Operating segments	For the six months ended June 30, 2021 - (Unaudited)					
	Property	Motor	Engineering	Medical	Marine	Group Life
<b>REVENUES</b>						
Gross premiums written	21,114	45,605	5,737	--	6,391	27,386
Reinsurance premiums ceded	(17,853)	--	(4,900)	--	(5,222)	(19,511)
Excess of loss premium	(2,320)	(4,741)	(219)	--	(678)	(788)
Net premiums written	941	40,864	618	--	491	7,087
Changes in unearned premiums, net	845	(23,379)	177	--	457	421
Net premiums earned	1,786	17,485	795	--	948	7,508
Reinsurance commissions	5,417	--	1,599	--	1,616	(19)
<b>TOTAL REVENUES</b>	7,203	17,485	2,394	--	2,564	7,489
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(13,982)	(8,524)	(745)	(168)	(1,170)	(7,700)
Reinsurers' share of claims paid	11,844	--	637	151	1,004	5,793
Net claims paid	(2,138)	(8,524)	(108)	(17)	(166)	(1,907)
Changes in outstanding claims, IBNR & technical reserves	1,078	642	(661)	50	949	(2,185)
Net claims incurred	(1,060)	(7,882)	(769)	33	783	(4,092)
Policy acquisition costs	(1,034)	(1,439)	(286)	--	(363)	(1,516)
Other underwriting expenses						
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>						
<b>NET UNDERWRITING INCOME</b>						
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal for doubtful debts						
General and administrative expenses						
Investment income on term deposits						
Investment income on bonds, sukuk and others						
Other income						
<b>TOTAL OTHER OPERATING EXPENSES</b>						
<b>TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>						
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>						
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>						

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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**11. OPERATING SEGMENTS (CONTINUED)**

	For the three months ended June 30, 2022 - (Unaudited)					
	Property	Motor	Engineering	Medical	Marine	Group Life
Operating segments						
	SAR'000					
<b>REVENUES</b>						
Gross premiums written	17,081	50,133	2,137	-	1,266	14,696
Reinsurance premiums ceded	(9,224)	87	(1,845)	-	(1,039)	(11,022)
Excess of loss premium	(979)	(2,259)	(129)	-	(18)	(211)
Net premiums written	6,878	47,961	163	-	209	3,463
Changes in unearned premiums, net	(886)	(10,636)	185	-	51	35
Net premiums earned	5,992	37,325	348	-	260	3,498
Reinsurance commissions	(51)	-	504	-	437	(29)
<b>TOTAL REVENUES</b>	5,941	37,325	852	-	697	3,469
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(4,564)	(36,611)	(270)	-	(1,783)	(3,694)
Reinsurers' share of claims paid	4,102	-	216	-	1,504	2,920
Net claims paid	(462)	(36,611)	(54)	-	(279)	(774)
Changes in outstanding claims, IBNR & technical reserves	(1,327)	3,180	65	(2)	581	7,130
Net claims incurred	(1,789)	(33,431)	11	(2)	302	6,356
Policy acquisition costs	(391)	(1,692)	(65)	-	(81)	(129)
Other underwriting expenses						
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>						
<b>NET UNDERWRITING INCOME</b>						10,868
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Charge for doubtful debts						(177)
General and administrative expenses						(13,695)
Investment income on term deposits						1,653
Investment income on bonds, sukuk and others						797
Other income						884
<b>TOTAL OTHER OPERATING EXPENSES</b>						(10,538)
<b>TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>						330
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>						-
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS'</b>						330

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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11. OPERATING SEGMENTS (CONTINUED)

Operating segments	For the three months ended June 30, 2021 - (Unaudited)					
	Property	Motor	Engineering	Medical	Marine	Group Life
	SAR'000					
<b>REVENUES</b>						
Gross premiums written	12,848	24,483	2,879	--	2,735	13,836
Reinsurance premiums ceded	(10,667)	--	(2,472)	--	(2,206)	(10,059)
Excess of loss premium	(286)	--	--	--	--	--
Net premiums written	1,895	24,483	407	--	529	3,777
Changes in unearned premiums, net	(1,277)	(13,447)	(110)	--	(7)	(146)
Net premiums earned	618	11,036	297	--	522	3,631
Reinsurance commissions	2,769	--	521	--	1,004	(20)
<b>TOTAL REVENUES</b>	<b>3,387</b>	<b>11,036</b>	<b>818</b>	<b>--</b>	<b>1,526</b>	<b>3,611</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(12,357)	(5,917)	--	(11)	(286)	(1,432)
Reinsurers' share of claims paid	10,691	--	--	10	168	1,109
Net claims paid	(1,666)	(5,917)	--	(1)	(118)	(323)
Changes in outstanding claims, IBNR & technical reserves	(622)	2,841	(323)	1	(170)	(1,702)
Net claims incurred	(2,288)	(3,076)	(323)	--	(288)	(2,025)
Policy acquisition costs	(470)	(902)	(79)	--	(384)	(376)
Other underwriting expenses	--	--	--	--	--	--
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(2,758)</b>	<b>(3,978)</b>	<b>(402)</b>	<b>--</b>	<b>(672)</b>	<b>(2,401)</b>
<b>NET UNDERWRITING INCOME</b>	<b>629</b>	<b>7,060</b>	<b>216</b>	<b>--</b>	<b>854</b>	<b>6,012</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Reversal for doubtful debts	--	--	--	--	--	--
General and administrative expenses	--	--	--	--	--	--
Investment income on term deposits	--	--	--	--	--	--
Investment income on bonds, sukuk and others	--	--	--	--	--	--
Other income	--	--	--	--	--	--
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX</b>	<b>629</b>	<b>7,060</b>	<b>216</b>	<b>--</b>	<b>854</b>	<b>6,012</b>
<b>NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE INSURANCE OPERATIONS</b>	<b>(1,788)</b>	<b>(1,788)</b>	<b>(1,788)</b>	<b>--</b>	<b>(1,788)</b>	<b>(1,788)</b>
<b>TOTAL INCOME FOR THE PERIOD ATTRIBUTED TO THE SHAREHOLDERS*</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>--</b>	<b>162</b>	<b>162</b>

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**11. OPERATING SEGMENTS (CONTINUED)**

**Customer wise portfolio**

Gross premiums written	For the six months ended June 30, 2022 - (Unaudited)			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	2,465	25,068	31,286	58,819
Medium	3,545	6,391	24	9,960
Micro	77	39	-	116
Small	1,434	1,886	18	3,338
Individual	86,972	247	-	87,219
	94,493	33,631	31,328	159,452

Gross premiums written	For the six months ended June 30, 2021 - (Unaudited)			
	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	2,142	24,953	27,186	54,281
Medium	3,563	7,297	173	11,033
Micro	78	44	--	122
Small	1,605	2,470	27	4,102
Individual	38,217	274	--	38,491
	45,605	35,038	27,386	108,029

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11. OPERATING SEGMENTS (CONTINUED)

Customer wise portfolio	For the three months ended June 30, 2022 - (Unaudited)			
	SAR'000			
Gross premiums written	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	276	18,774	14,678	33,728
Medium	901	2,403	-	3,304
Micro	77	(57)	-	20
Small	488	620	18	1,126
Individual	48,391	127	-	48,518
	50,133	21,867	14,696	86,696

	For the three months ended June 30, 2021 - (Unaudited)			
	SAR'000			
Gross premiums written	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	789	16,126	13,825	30,740
Medium	535	2,279	(8)	2,806
Micro	47	15	-	62
Small	184	567	19	770
Individual	22,928	166	-	23,094
	24,483	19,153	13,836	57,472



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**12. RELATED PARTY TRANSACTIONS AND BALANCES**

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

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	<b>Transactions for the six-month period ended</b>	
	<b>June 30, 2022 (Unaudited)</b>	<b>June 30, 2021 (Unaudited)</b>
	<b>SAR' 000</b>	
Gross premiums written	44,411	38,302
Gross claims paid	21,303	7,982
Brokerage commission paid	-	1,569
Profit commission payable	6,530	--
Reinsurance premium ceded	17,573	18,687
Reinsurance share of gross claim paid	5,023	9,935
Reinsurance commission income	6,910	7,294
Investment income on term deposits	1,675	435
Technical service charges	1,579	3,041
Brand fees	15	15
Operational expenses paid on behalf of affiliates and reinsurance placements	1,575	1,006
Operational expenses paid by affiliates on behalf of Company	(2,180)	(1,060)

<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>	<b>Balance receivable / (payable) as at</b>	
	<b>June 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
	<b>SAR'000</b>	
Bank balances	1,675	4,406
Term deposits	146,284	242,343
Statutory deposit and accrued commission	45,572	45,572
Accrued interest receivable	848	499
Premium receivable	12,961	10,701
Reinsurance balance payable	(9,591)	(16,536)
Accrued expenses and other liabilities	(6,353)	(16,661)
Reinsurance share of gross outstanding claims	13,478	14,488
Gross outstanding claim	(63,373)	(81,459)
Due from related parties	14	--
Due to related parties	(17,409)	(10,419)

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

	<b>Transactions for the six month period ended</b>	
	<b>June 30, 2022 (Unaudited)</b>	<b>June 30, 2021 (Unaudited)</b>
	<b>SAR'000</b>	
Salaries and other allowances	2,985	3,265
End of service indemnities	157	212
	<b>3,142</b>	<b>3,477</b>

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**13. ZAKAT AND INCOME TAX**

**Status of assessments**

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the years ended 31 December 2021.

Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each 30 days of delay) respectively. The Committee for Resolution of Tax Violations and Disputes (CRTVD) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against CRTVD's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has escalated the appeal case to the GSTC, and the CRTVD has issued its decision where the CRTVD has rejected the Company's appeal and supported ZATCA's assessment for all disputed items. The Company has settled the additional zakat liability of SR 1.98 million and the case is closed.

The ZATCA has also issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company escalated its appeal case to the GSTC, and no hearing has been scheduled yet before the first level of appeal committees (CRTVD).

The ZATCA has also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 0.09 million till the date of assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company has appealed against the ZATCA's assessment which has been rejected by ZATCA. Thus, the Company has escalated its appeal case to GSTC and no hearing has been scheduled yet before the first level of appeal committees (CRTVD).

The zakat and income tax charge for the six-month period ended are as follows:

	30 June 2022 (Unaudited) SAR ('000')	31 December 2021 (Audited) SAR ('000')	30 June 2021 (Unaudited) SAR ('000')
Charge for zakat for the period / year	3,531	7,848	3,653
Charge for income tax for the period / year	--	--	--
Reversal for income tax charge for prior year	(931)	--	--
Reversal of deferred tax for the period / year	--	(134)	(13)
	(931)	(134)	(13)
Zakat and tax provision at the end of period / year	2,600	7,714	3,640

**Deferred Tax**

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
	SAR ('000')		
Opening deferred tax asset	1,206	1,072	1,072
Deferred tax income	--	134	13
Closing deferred tax asset	1,206	1,206	1,085

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**13. ZAKAT AND INCOME TAX (Continued)**

	Six-month period ended	Year ended	Six-month period ended
	30 June 2022	31 December 2021	30 June 2021
	(Unaudited)	(Audited)	(Unaudited)
	SAR ('000')		
Opening zakat, income tax liability and deferred tax asset	52,609	49,844	49,844
Current charge for zakat tax for the period / year	3,531	7,848	3,653
Reversal for income tax charge for prior year	(931)	--	--
Deferred tax (income) expense for the period / year	--	(134)	(13)
Settled during the period / year	(1,980)	(4,949)	(950)
Closing zakat, income tax liability and deferred tax asset	53,229	52,609	52,534

**14. SHARE CAPITAL**

The authorized and paid-up share capital of the Company is SAR 400 million divided into 40 million shares of SAR 10 each (31 December 2021: SAR 400 million divided into 40 million shares of SAR 10 each).

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	June 30, 2022 (Unaudited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000
	December 31, 2021 (Audited)	
	No. of Shares	Authorized, issued and paid up capital
	'000	SAR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

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**15. CAPITAL MANAGEMENT**

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

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

**16. SUPPLEMENTARY INFORMATION**

**A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	SAR '000					
	June 30, 2022 - (Unaudited)			December 31, 2021 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Bank balances and cash	26,610	1,103	27,713	38,414	2,878	41,292
Term deposits	189,430	225,490	414,920	210,285	222,786	433,071
Premiums and reinsurers' receivable, net	49,664	-	49,664	37,575	-	37,575
Reinsurers' share of unearned premiums	24,074	-	24,074	25,843	-	25,843
Reinsurers' share of outstanding claims	77,021	-	77,021	99,384	-	99,384
Reinsurers' share of claims Incurred but not reported	7,607	-	7,607	6,844	-	6,844
Deferred policy acquisition costs	3,896	-	3,896	3,006	-	3,006
Investments	1,923	123,739	125,662	1,923	125,843	127,766
Due from related parties	14	-	14	-	-	-
Prepaid expenses and other assets	25,805	2,489	28,294	25,245	1,573	26,818
Deferred tax asset	-	1,206	1,206	-	1,206	1,206
Property and equipment	1,951	-	1,951	1,695	-	1,695
Intangible assets	2,671	-	2,671	3,659	-	3,659
Statutory deposit	-	40,000	40,000	-	40,000	40,000
Accrued commission income on statutory deposit	-	5,572	5,572	-	5,572	5,572
<b>TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>410,666</b>	<b>399,599</b>	<b>810,265</b>	<b>453,873</b>	<b>399,858</b>	<b>853,731</b>
<b>ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due from shareholders' / insurance operations	-	5,863	5,863	-	28,588	28,588
<b>TOTAL ASSETS</b>	<b>410,666</b>	<b>405,462</b>	<b>816,128</b>	<b>453,873</b>	<b>428,446</b>	<b>882,319</b>

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

A) INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	SAR '000					
	June 30, 2022 - (Unaudited)			December 31, 2021 - (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>LIABILITIES</b>						
Outstanding claims reserve	98,498	-	98,498	131,242	-	131,242
Claims incurred but not reported	32,255	-	32,255	22,228	-	22,228
Other technical reserves	4,791	-	4,791	6,752	-	6,752
Accrued expenses and other liabilities	38,340	4,538	42,878	39,277	2,536	41,813
Reinsurers' balances payable	67,472	-	67,472	91,117	-	91,117
Unearned premiums	119,627	-	119,627	100,305	-	100,305
Accounts payables	1,923	-	1,923	1,932	-	1,932
Unearned reinsurance commission	5,405	-	5,405	2,376	-	2,376
Due to related parties	16,996	413	17,409	10,006	413	10,419
End-of-service benefits	10,552	-	10,552	11,106	-	11,106
Zakat and income tax	-	54,435	54,435	-	53,815	53,815
Accrued commission income payable to SAMA	-	5,572	5,572	-	5,572	5,572
Accumulated surplus	8,223	-	8,223	8,223	-	8,223
<b>TOTAL LIABILITIES</b>	<b>404,082</b>	<b>64,958</b>	<b>469,040</b>	<b>424,564</b>	<b>62,336</b>	<b>486,900</b>
<b>EQUITY</b>						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	1,161	1,161	-	1,161	1,161
Accumulated losses	-	(59,925)	(59,925)	-	(36,880)	(36,880)
Fair value reserve for available for sale investments	-	(732)	(732)	-	1,829	1,829
Actuarial reserve for employee benefits	721	-	721	721	-	721
<b>TOTAL EQUITY</b>	<b>721</b>	<b>340,504</b>	<b>341,225</b>	<b>721</b>	<b>366,110</b>	<b>366,831</b>
<b>TOTAL LIABILITIES</b>						
<b>INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>404,803</b>	<b>405,462</b>	<b>810,265</b>	<b>425,285</b>	<b>428,446</b>	<b>853,731</b>
<b>LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION</b>						
Due to shareholders operations	5,863	-	5,863	28,588	-	28,588
<b>TOTAL LIABILITIES</b>						
<b>INSURANCE OPERATIONS' SURPLUS AND EQUITY</b>	<b>410,666</b>	<b>405,462</b>	<b>816,128</b>	<b>453,873</b>	<b>428,446</b>	<b>882,319</b>

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the six month period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
- Direct	159,270	-	159,270	107,810	--	107,810
- Reinsurance	182	-	182	219	--	219
	159,452	-	159,452	108,029	--	108,029
Reinsurance premiums ceded	(45,264)	-	(45,264)	(47,691)	--	(47,691)
Excess of loss expenses	(6,066)	-	(6,066)	(9,123)	--	(9,123)
Net premiums written	108,122	-	108,122	51,215	--	51,215
Changes in unearned premiums	(19,322)	-	(19,322)	(11,359)	--	(11,359)
Changes in reinsurers' share of unearned premiums	(1,769)	-	(1,769)	(13,208)	--	(13,208)
Changes in deferred excess of loss premiums	-	-	-	4,958	--	4,958
Net premiums earned	87,031	-	87,031	31,606	--	31,606
Reinsurance commissions	4,462	-	4,462	8,580	--	8,580
<b>TOTAL REVENUES</b>	<b>91,493</b>	<b>-</b>	<b>91,493</b>	<b>40,186</b>	<b>--</b>	<b>40,186</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(94,558)	-	(94,558)	(32,596)	--	(32,596)
Reinsurers' share of claims paid	24,434	-	24,434	19,553	--	19,553
Net claims paid	(70,124)	-	(70,124)	(13,043)	--	(13,043)
Changes in outstanding claims	32,744	-	32,744	(11,979)	--	(11,979)
Changes in reinsurers' share of outstanding claims	(22,363)	-	(22,363)	5,767	--	5,767
Changes in claims incurred but not reported, net	(9,264)	-	(9,264)	4,617	--	4,617
Changes in other technical reserves	1,961	-	1,961	1,513	--	1,513
Net claims incurred	(67,046)	-	(67,046)	(13,125)	--	(13,125)
Policy acquisition costs	(11,000)	-	(11,000)	(4,856)	--	(4,856)
Other underwriting expenses	(10,443)	-	(10,443)	(4,171)	--	(4,171)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(88,489)</b>	<b>-</b>	<b>(88,489)</b>	<b>(22,152)</b>	<b>--</b>	<b>(22,152)</b>
<b>NET UNDERWRITING INCOME</b>	<b>3,004</b>	<b>-</b>	<b>3,004</b>	<b>18,034</b>	<b>--</b>	<b>18,034</b>

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the six month period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
(Charge) / Reversal for doubtful debts	(1,291)	-	(1,291)	2,176	-	2,176
General and administrative expenses	(29,487)	(728)	(30,215)	(26,378)	(728)	(27,106)
Investment income on term deposits	1,125	1,438	2,563	455	676	1,131
Investment income on bonds and sukuks	-	1,664	1,664	-	1,835	1,835
Other income	3,830	-	3,830	4,755	-	4,755
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(25,823)</b>	<b>2,374</b>	<b>(23,449)</b>	<b>(18,992)</b>	<b>1,783</b>	<b>(17,209)</b>
<b>TOTAL (LOSS) / INCOME FOR THE PERIOD</b>	<b>(22,819)</b>	<b>2,374</b>	<b>(20,445)</b>	<b>(958)</b>	<b>1,783</b>	<b>825</b>
Total income for the period attributed to the insurance operations	-	-	-	-	-	-
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	22,819	(22,819)	-	958	(958)	-
<b>TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>-</b>	<b>(20,445)</b>	<b>(20,445)</b>	<b>-</b>	<b>825</b>	<b>825</b>
<b>ZAKAT CHARGE FOR THE PERIOD</b>	<b>-</b>	<b>(3,531)</b>	<b>(3,531)</b>	<b>-</b>	<b>(3,653)</b>	<b>(3,653)</b>
<b>INCOME TAX REVERSAL FOR THE PERIOD - PRIOR YEAR</b>		<b>931</b>	<b>931</b>		<b>13</b>	<b>13</b>
<b>NET LOSS AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(23,045)</b>	<b>(23,045)</b>		<b>(2,815)</b>	<b>(2,815)</b>
Loss per share (Expressed in SAR per share)						
Basic and diluted earnings per share		(0.58)	(0.58)		(0.07)	(0.07)

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the six month period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>Total loss for the period</b>						
Other comprehensive Income	-	(23,045)	(23,045)	-	(2,815)	(2,815)
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	-	(2,561)	(2,561)	-	16	16
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>-</b>	<b>(25,606)</b>	<b>(25,606)</b>	<b>-</b>	<b>(2,799)</b>	<b>(2,799)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>-</b>	<b>-</b>	<b>(25,606)</b>	<b>-</b>	<b>(2,799)</b>	<b>(2,799)</b>



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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three months period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
- Direct	86,696	-	86,696	57,472	--	57,472
- Reinsurance	--	--	--	--	--	--
	86,696	--	86,696	57,472	--	57,472
Reinsurance premiums ceded	(23,449)	-	(23,449)	(25,503)	--	(25,503)
Excess of loss expenses	(3,456)	-	(3,456)	(286)	--	(286)
Net premiums written	59,791	-	59,791	31,683	--	31,683
Changes in unearned premiums	(14,369)	-	(14,369)	(6,845)	--	(6,845)
Changes in reinsurance share of unearned premium	2,965	-	2,965	(4,880)	--	(4,880)
Changes in excess of loss premiums	-	-	-	(2,343)	--	(2,343)
Net premiums earned	48,387	-	48,387	17,615	--	17,615
Reinsurance commissions	887	-	887	4,258	--	4,258
<b>TOTAL REVENUES</b>	<b>49,274</b>	<b>-</b>	<b>49,274</b>	<b>21,873</b>	<b>--</b>	<b>21,873</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(49,911)	-	(49,911)	(20,122)	--	(20,122)
Reinsurers' share of claims paid	8,749	-	8,749	12,099	--	12,099
Net claims paid	(41,162)	-	(41,162)	(8,023)	--	(8,023)
Changes in outstanding claims	33,103	-	33,103	(4,571)	--	(4,571)
Changes in reinsurance share of outstanding claims	(21,830)	-	(21,830)	(353)	--	(353)
Changes in IBNR, net	(8,404)	-	(8,404)	4,980	--	4,980
Changes in other technical reserves	13,637	-	13,637	(94)	--	(94)
Net claims incurred	(24,656)	-	(24,656)	(8,061)	--	(8,061)
Policy acquisition costs	(8,876)	-	(8,876)	(2,307)	--	(2,307)
Other underwriting expenses	(4,874)	-	(4,874)	(3,580)	--	(3,580)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(38,406)</b>	<b>-</b>	<b>(38,406)</b>	<b>(13,948)</b>	<b>--</b>	<b>(13,948)</b>
<b>NET UNDERWRITING INCOME</b>	<b>10,868</b>	<b>-</b>	<b>10,868</b>	<b>7,925</b>	<b>--</b>	<b>7,925</b>



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16. SUPPLEMENTARY INFORMATION (CONTINUED)

B) INTERIM CONDENSED STATEMENT OF INCOME (CONTINUED)

	SAR '000					
	For the three month period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operation	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
Charge for doubtful debts	(177)	-	(177)	(121)	--	(121)
General and administrative expenses	(13,331)	(364)	(13,695)	(12,763)	(364)	(13,127)
Investment income on term deposits	719	934	1,653	220	235	455
Investment income on bonds, sukuk and others	-	797	797	--	918	918
Other income	884	-	884	2,162	--	2,162
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(11,905)</b>	<b>1,367</b>	<b>(10,538)</b>	<b>(10,502)</b>	<b>789</b>	<b>(9,713)</b>
<b>TOTAL (LOSS) / INCOME FOR THE PERIOD</b>	<b>(1,037)</b>	<b>1,367</b>	<b>330</b>	<b>(2,577)</b>	<b>789</b>	<b>(1,788)</b>
Total income for the period attributed to the insurance operations	-	-	-	162	--	162
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	1,037	(1,037)	-	2,415	(2,415)	--
<b>TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>-</b>	<b>330</b>	<b>330</b>	<b>--</b>	<b>(1,626)</b>	<b>(1,626)</b>
<b>ZAKAT CHARGE FOR THE PERIOD</b>	<b>-</b>	<b>(1,962)</b>	<b>(1,962)</b>	<b>--</b>	<b>(1,829)</b>	<b>(1,829)</b>
<b>INCOME TAX REVERSAL FOR THE PERIOD - PRIOR YEAR</b>	<b>-</b>	<b>931</b>	<b>931</b>	<b>--</b>	<b>139</b>	<b>139</b>
<b>NET (LOSS) / INCOME AFTER ZAKAT AND INCOME TAX FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>-</b>	<b>(701)</b>	<b>(701)</b>	<b>--</b>	<b>(3,316)</b>	<b>(3,316)</b>
(Loss) / earnings per share (Expressed in SAR per share)						
Basic and diluted earnings per share		(0.02)	(0.02)		(0.08)	(0.08)

C) INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	SAR '000					
	For the three month period ended June 30					
	2022 - (Unaudited)			2021 - (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total (loss) / income for the period		(701)	(701)	162	(3,478)	(3,316)
<b>Other comprehensive loss</b>						
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
Change in fair value of available for sale investments	-	(623)	(623)	--	(557)	(557)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>--</b>	<b>(1,324)</b>	<b>(1,324)</b>	<b>162</b>	<b>(4,035)</b>	<b>(3,873)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO INSURANCE OPERATIONS'</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(162)</b>	<b>162</b>	<b>--</b>
<b>NET COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS'</b>	<b>-</b>	<b>(1,324)</b>	<b>(1,324)</b>	<b>-</b>	<b>(3,873)</b>	<b>(3,873)</b>

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16. SUPPLEMENTARY INFORMATION (CONTINUED)

D) INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR'000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	2022 - (Unaudited)	2022 - (Unaudited)		2021 - (Unaudited)	2021 - (Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Total (loss) / income for the period before Zakat and Income Tax		(20,445)	(20,445)	--	825	825
<b>Adjustments for non-cash items:</b>						
Amortization of Intangible Assets / Depreciation of property and equipment	1,650	-	1,650	1,752	--	1,752
Amortization of investments	-	216	216	--	156	156
(Charge) / reversal for provisions for doubtful debts	1,291	-	1,291	(2,176)	--	(2,176)
Provision for end-of-service indemnities	781	-	781	875	--	875
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	(13,380)		(13,380)	1,811	--	1,811
Reinsurers' share of unearned premiums	1,769		1,769	13,208	--	13,208
Reinsurers' share of outstanding claims	22,363		22,363	(5,767)	--	(5,767)
Reinsurers' share of claims Incurred but not reported	(763)		(763)	(465)	--	(465)
Deferred policy acquisition costs	(890)		(890)	(1,174)		(1,174)
Deferred excess of loss premiums	-		-	(4,958)		(4,958)
Due from related parties	(14)		(14)	(1,179)		(1,179)
Prepaid expenses and other assets	(560)	(916)	(1,476)	(12,294)	(254)	(12,548)
Accounts payables	(9)		(9)	(1,413)		
Accrued and other liabilities	(937)	2,002	1,065	6,121	(1,214)	4,907
Reinsurers' balances payable	(23,645)		(23,645)	(12,965)		(12,965)
Unearned premiums	19,322		19,322	11,359		11,359
Unearned reinsurance commission	3,029		3,029	(495)		(495)
Outstanding claims reserve	(32,744)		(32,744)	11,979		11,979
Claims incurred but not reported	10,027		10,027	(4,152)		(4,152)
Other technical reserves	(1,961)		(1,961)	(1,513)		(1,513)
Due to related parties	6,990		6,990	1,233		1,233
	(7,681)	(19,143)	(26,824)	(213)	(487)	(700)
Zakat & Tax paid	--	(1,980)	(1,980)	--	(950)	(950)
End-of-service indemnities paid	(1,335)		(1,335)	(500)	--	(500)
Surplus paid to policy holders	-		-	(2,369)	--	(2,369)
<b>Net cash used in from operating activities</b>	<b>(9,016)</b>	<b>(21,123)</b>	<b>(30,139)</b>	<b>(3,082)</b>	<b>(1,437)</b>	<b>(4,519)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Disposals/(Additions) in investments, net	--	(673)	(673)	--	--	--
Disposals/(Additions) in term deposits, net	20,855	(2,704)	18,151	5,474	(725)	4,749
Additions in Intangible Assets / property and equipment	(918)	--	(918)	(1,339)	--	(1,339)
<b>Net cash generated / (used in) from investing activities</b>	<b>19,937</b>	<b>(3,377)</b>	<b>16,560</b>	<b>4,135</b>	<b>(725)</b>	<b>3,410</b>
<b>Net change in cash and cash equivalents</b>	<b>10,921</b>	<b>(24,500)</b>	<b>(13,579)</b>	<b>1,053</b>	<b>(2,162)</b>	<b>(1,109)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>37,714</b>	<b>2,878</b>	<b>40,592</b>	<b>20,174</b>	<b>2,182</b>	<b>22,356</b>
<b>Due from/(to) insurance operations</b>	<b>(22,725)</b>	<b>22,725</b>	<b>--</b>	<b>(2,046)</b>	<b>2,046</b>	<b>--</b>
<b>Cash and cash equivalents, end of the period</b>	<b>25,910</b>	<b>1,103</b>	<b>27,013</b>	<b>19,181</b>	<b>2,066</b>	<b>21,247</b>

**AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

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**17. STATUTORY RESERVE**

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

**18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the board on 12 Muharram 1444H, corresponding to 10 August 2022.