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

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 2022

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim condensed statement of financial position of Saudi Enaya Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as of 31 March 2022 and the related interim condensed statements of income and comprehensive income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

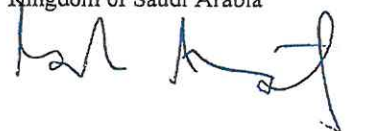
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

EMPHASIS OF MATTER

We draw attention to Note 4 to the interim condensed financial statements, which states that the Company has incurred a net loss of SR 17.5 million (March 31, 2021: SR 21.9 million), resulting in accumulated losses of SR 108.76 million (31 December 2021: SR 91.25 million). As at March 31, 2022, the Company's accumulated losses reached 72.5% of its share capital (31 December 2021: 60.83%), and as of the same date, the solvency of the Company reached 27% (31 December 2021: 43%). These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The note referred above also explains the measures under consideration of the board of directors of the Company to mitigate the material uncertainty relating to going concern. Our opinion is not modified in respect of this matter.

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



Mohamed El Sayed El Ayouty
Certified Public Accountant
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Salman B. AlSudairy
Certified Public Accountant
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19 May 2022
18 Shawaal 1443H
Jeddah, Kingdom of Saudi Arabia



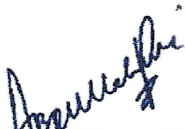
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
SAR '000			
ASSETS			
Cash and cash equivalents	5	144,109	159,152
Short term murabaha deposits	6	66,969	77,908
Premiums receivable – net	7	51,482	58,486
Prepaid expenses and other assets		11,590	11,639
Deferred policy acquisition costs		7,035	6,926
Investments	8	1,808	1,668
Property and equipment – net		1,287	1,523
Intangible assets – net		789	899
Right of use assets – net		170	679
Statutory deposit	9	22,500	22,500
Accrued commission income on statutory deposit		4,579	4,545
TOTAL ASSETS		312,318	345,925
LIABILITIES			
Accrued and other liabilities		40,629	54,209
Unearned premiums	10	107,866	108,727
Outstanding claims	10	40,336	46,806
Claims incurred but not reported	10	16,722	15,745
Premium deficiency reserve	10	37,906	34,527
Other technical reserves	10	369	391
End-of-service indemnities		5,486	5,787
Lease liabilities		2,250	2,250
Zakat and income tax provision	15	14,000	13,250
Accrued commission income payable to SAMA		4,579	4,545
TOTAL LIABILITIES		270,143	286,237
SHAREHOLDERS' EQUITY			
Share capital	16	150,000	150,000
Accumulated losses		(108,758)	(91,245)
TOTAL SHAREHOLDERS' EQUITY		41,242	58,755
Re-measurement reserve on end-of-service indemnities – related to insurance operations		933	933
TOTAL EQUITY		42,175	59,688
TOTAL LIABILITIES AND EQUITY		312,318	345,925



Chairman



Acting CFO / Finance Reporting
Manager




Chief Executive Officer

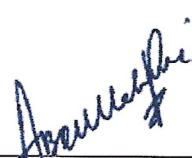
The accompanying notes from 1 – 20 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF INCOME – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three - month period ended 31 March</i>	
	2022	2021
	SAR '000	
<u>REVENUES</u>		
Gross premiums written	54,302	45,070
Net premiums written	54,302	45,070
Changes in unearned premiums	861	(6,981)
Net premiums earned	55,163	38,089
TOTAL REVENUES	55,163	38,089
<u>UNDERWRITING COSTS AND EXPENSES</u>		
Gross claims paid	60,777	35,737
Net claims paid	60,777	35,737
Changes in outstanding claims – net	(6,470)	278
Changes in claims incurred but not reported – net	977	1,193
Net claims incurred	55,284	37,208
Changes in Premium deficiency reserve	3,379	4,876
Changes in Other technical reserves	(22)	13
Policy acquisition costs	3,375	1,735
Other underwriting expenses	2,685	1,418
TOTAL UNDERWRITING COSTS AND EXPENSES	64,701	45,250
NET UNDERWRITING LOSS	(9,538)	(7,161)


Chairman


Acting CFO / Finance
Reporting Manager



Chief Executive Officer

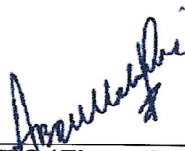
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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME – (Unaudited) – (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

		<i>Three - month period ended 31 March</i>	
	Note	2022	2021
		SAR '000	
<u>OTHER OPERATING (EXPENSES) / INCOME</u>			
Allowance for doubtful debts	7	(545)	(2,753)
General and administrative expenses		(7,641)	(12,312)
Commission income on deposit		821	840
Unrealized gain on investments	8	140	44
Amortization of discount - net		-	40
Other income		-	166
TOTAL OTHER OPERATING EXPENSES		(7,225)	(13,975)
Net loss for the period		(16,763)	(21,136)
Net income attributed to the insurance operations		-	-
Net loss for the period attributable to the shareholders before zakat		(16,763)	(21,136)
Zakat expense	15	(750)	(750)
Net loss for the period		(17,513)	(21,886)
<u>Loss per share (expressed in SAR per share)</u>			
Weighted average number of ordinary shares outstanding (in thousands shares)	18	15,000	15,000
Basic and diluted loss per share for the period (SR/Share)	18	(1.17)	(1.46)


Chairman


Acting CFO/ Finance Reporting
Manager


Chief Executive Officer

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

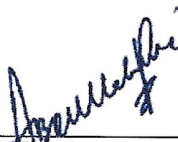
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three - month period ended 31 March</i>	
	2022	2021
	SAR '000	
Net loss for the period	(17,513)	(21,886)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(17,513)	(21,886)
Total comprehensive loss attributed to the insurance operations	-	-
Total comprehensive loss for the period attributable to the shareholders	(17,513)	(21,886)



Chairman



Acting CFO / Finance Reporting
Manager



Chief Executive Officer

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

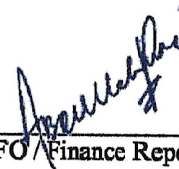
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY– (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	Related to shareholders' operations			Re-measurement reserve of end-of- service indemnities – related to insurance operations	Total equity
	Share capital	Accumulated losses	Total shareholders' equity SAR '000		
2022					
Balance as at 31 December 2021 (Audited)	150,000	(91,245)	58,755	933	59,688
<i>Total comprehensive loss for the period:</i>					
Net loss for the period	-	(17,513)	(17,513)	-	(17,513)
<i>Total comprehensive loss for the period</i>	-	(17,513)	(17,513)	-	(17,513)
Balance as at 31 March 2022 (Unaudited)	150,000	(108,758)	41,242	933	42,175
2021					
Balance as at 31 December 2020 (Audited)	150,000	(29,273)	120,727	1,008	121,735
<i>Total comprehensive loss for the period:</i>					
Net loss for the period	-	(21,886)	(21,886)	-	(21,886)
<i>Total comprehensive loss for the period:</i>	-	(21,886)	(21,886)	-	(21,886)
Balance as at 31 March 2021 (Unaudited)	150,000	(51,159)	98,841	1,008	99,849



Chairman



Acting CFO / Finance Reporting Manager



Chief Executive Officer

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

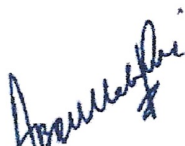
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS – (Unaudited)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	<i>Three - month period ended</i>	
	<i>31 march</i>	
	2022	2021
	SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(16,763)	(21,136)
<u><i>Adjustments for non-cash items:</i></u>		
Depreciation of property and equipment	236	215
Depreciation of right of use assets	509	509
Finance cost on lease liabilities	-	24
Amortization of intangible assets	110	124
Release of doubtful debts	545	2,753
Unrealized gain on investments	(140)	(44)
Amortization of discount – net	-	(40)
Provision for end-of-service indemnities	211	292
	(15,292)	(17,303)
<u><i>Changes in operating assets and liabilities:</i></u>		
Premiums receivable	6,459	(6,296)
Reinsurer share of outstanding claims	-	58
Deferred policy acquisition costs	(109)	(895)
Prepaid expenses and other assets	49	(4,875)
Accrued and other liabilities	(13,580)	3,307
Accrued commission income on statutory deposit	(34)	(57)
Unearned premiums	(861)	6,981
Outstanding claims	(6,470)	220
Claims incurred but not reported claims	977	1,193
Premium deficiency reserve	3,379	4,876
Other technical reserves	(22)	13
Accrued commission income payable to SAMA	34	57
Cash used in operations activities	(25,470)	(12,721)
End-of-service indemnities paid	(512)	(54)
Zakat paid	-	(301)
Net cash used in operating activities	(25,982)	(13,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of short term murabaha deposits	10,939	14,427
Purchase of property and equipment	-	(98)
Purchase of intangible assets	-	(41)
Net cash generated from investing activities	10,939	14,288
Net change in cash and cash equivalents	(15,043)	1,212
Cash and cash equivalents, beginning of the period	159,152	115,226
Cash and cash equivalents, end of the period	144,109	116,438



Chairman



Acting CFO/ Finance Reporting
Manager



Chief Executive Officer

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

1. GENERAL

Saudi Enaya Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 98/Q dated 16 Rabi Al-Awwal 1433H (corresponding to 8 February 2012). The Commercial Registration number of the Company is 4030223528 dated 27 Rabi Al-Awwal 1433H (corresponding to 19 February 2012).

The Registered Office address of the Company is:

Building No. 8433

Prince Sultan Street, Al Rawdah District

P.O. Box 3528

Jeddah 23435

Kingdom of Saudi Arabia

Following is the branch of the Company:

Branch

Riyadh

Commercial Registration Number:

1010421871

Subsequent to the period end, The company relocated its head office to the following address: -
Building No 7521, AL khalidya district, Jeddah 23423, KSA

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

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

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

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

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

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

2. BASIS OF PREPARATION

a. Statement of compliance

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

The interim condensed financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value and measurement of employees end of service benefits which are recognized at the present value of future obligations. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term murabaha deposits, premiums receivable-net, deferred policy acquisition costs, prepaid expenses and other assets, accrued and other liabilities, unearned premiums, and zakat and income tax. The following balances would generally be classified as non-current: outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves, end-of-service indemnities, related parties balances, accrued commission income on statutory deposit, investments held at fair value through income statement, statutory deposit, property and equipment – net, intangible assets – net and right of use assets – net.

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

The interim condensed statement of financial position, statements of income and statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented on pages 22 to 27 of the interim condensed financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

2. BASIS OF PREPARATION – (continued)

b. Critical accounting judgments, estimates and assumptions

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

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

c. Seasonality of operations

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

d. IMPACT OF COVID-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the period ended 31 March 2022 including the significant accounting judgements and estimates. The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

3. SIGNIFICANT ACCOUNTING POLICIES

a. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company:

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

b. Standards issued but not yet effective:

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022****3. SIGNIFICANT ACCOUNTING POLICIES – (continued)****b. Standards issued but not yet effective (continued)**

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases', COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022
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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview

IFRS 17 has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

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

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

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

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models.

The General model 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;
- 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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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3- SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

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, the CSM is also adjusted for in addition to adjustment under general model;

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

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

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. In May 2017, the International Accounting Standards Board ("IASB") published the final version of IFRS 17 Insurance Contracts. On 17 March 2020, IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2023. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional one year of deferral, meaning they could apply as at both standards for the first time in reporting periods beginning on or after 1 January 2023. In June 2019, the IASB amended IFRS 17 Insurance Contracts. The amendments are aimed at helping companies implement the IFRS 17 and making it easier for them to explain their financial performance. IFRS 17 incorporating the amendments is effective from annual reporting periods beginning on or after 1 January 2023. SAMA is rolling out instructions for the implementation and dry run phase of IFRS 17. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

Transition

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

Presentation and Disclosures

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

Impact

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

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

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

'Summary Progress Report' to SAMA for the months of March and April are submitted to comply with the regulatory requirements of Phase 4."

IFRS 9 – Financial Instruments

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

3- SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

a) Classification and measurement:

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

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

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

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

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

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

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

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 12 Sep 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

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3- SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

b. annual reporting periods beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board (“IASB”) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;

2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning Jan 01, 2021:

(1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

(2) the total carrying amount of the company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment

As at March 31, 2022, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 296 million and SR 94 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 294 million (2021: 318 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2021 debt securities are measured at fair value of nil with changes in fair value during the year of nil. Other financial assets have a fair value of SR 1.808 million as at March 31, 2022 with a fair value change during the year of 0.140 million. (Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 31). The Company financial assets have low credit risk as at March 31, 2022 and December 31, 2021. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review. We are in the process of building non-performance risk quantification for certain reinsurance held arrangements based on IFRS 9 ECL simplified approach.

4. GOING CONCERN

During the current period, the Company has incurred a net loss of SR 17.5 million (March 31, 2021 SR 21.9 million), resulting in accumulated losses of SR. 108.76 million (31 December 2021: SR 91.25 million). As at December 31, 2021, the Company’s accumulated losses reached 72.5% of its share capital (31 December 2021: 60.83%), and as of the same date, the solvency of the Company reached 27% (31 December 2021: 43%). These events and conditions indicate a material uncertainty on the Company’s ability to continue as a going concern. Consequently, the board of directors of the Company has called an Extraordinary General Assembly Meeting (EOGM) on 23 Moharram 1444 AH corresponding to Aug 21, 2022.

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4 - GOING CONCERN (continued)

Following options will be considered for voting in this EOGM:

- to proceed with the capital increase procedures and obtain the approval of the relevant authorities.
- to direct the company to proceed with the procedures for liquidate the company and to obtain the approval of the relevant authorities (if capital increase is not approved).

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Insurance operations	
	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Bank and cash balances	23,358	49,959
	Shareholders' operations	
	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Bank and cash balances	79	79
Deposits maturing within 3 months from the acquisition date	120,672	109,114
	120,751	109,193
Total	144,109	159,152

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

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 66.9 million as at 31 March 2022 (31 December 2021: SR 77.9 million), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia and are presented in the statement of financial position of the shareholders separately (note 19). As at 31 March 2022, the deposit carrying commission rate at 0.92% (31 December 2021: 0.85% to 0.92%).

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7. PREMIUMS RECEIVABLE – NET

Premium receivable comprise of amounts due from the following:

	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Policyholders	47,613	46,954
Brokers and agents	21,070	28,209
Related parties (note 14)	624	603
	69,307	75,766
Provision for doubtful premiums receivables	(17,825)	(17,280)
Premiums receivable – net	51,482	58,486

Note: Premium balance receivable from brokers and agents at 31 March 2022 amounting to SAR 21.07 million (31 December 2021: SAR 28.21 million) are ultimately due from customers that are insured through brokers and agents.

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

	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Balance at beginning of the period / year	17,280	19,671
Provision / (released) during the period / year	545	(2,391)
Balance at end of the period / year	17,825	17,280

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8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
- Held as FVSI	1,808	1,668
Total	1,808	1,668

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

	Shareholders' operations	
	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Opening balance	1,668	8,047
Realized gain on investment	-	42
Sold during the period / year	-	(6,658)
Unrealized gain on investments	140	237
Closing balance	1,808	1,668
	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Al Badr Murabaha Fund	666	664
Saudi Fransi GCC IPO Fund	1,142	1,004
	1,808	1,668

8.2 Movement in held to maturity investment balance is as follows:

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

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**9. STATUTORY DEPOSIT**

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. Statutory deposit as at 31 March 2022 amounting to SR 22.5 million (2021: SR 22.5 million).

10. TECHNICAL RESERVES**10.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
Outstanding claims reserve	40,336	46,806
Claims incurred but not reported	16,722	15,745
	57,058	62,551
Premium deficiency reserve	37,906	34,527
Other technical reserves	369	391
	95,333	97,469
Less:		
Reinsurer share of outstanding claims reserve	-	-
Net outstanding claims and reserves	95,333	97,469

10.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-month period ended 31 March 2022 (Unaudited)		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the period	108,727	-	108,727
Premium written during the period	54,302	-	54,302
Premium earned during the period	(55,163)	-	(55,163)
Balance as at the end of the period	107,866	-	107,866

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

11. COMMITMENTS AND CONTINGENCIES

- There were no capital commitments outstanding as at 31 March 2022 (31 December 2021: Nil).
- The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending legal proceedings, management does not believe that such proceedings will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

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12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 March 2022 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,808	-	1,808	-	1,808
	1,808	-	1,808	-	1,808
Financial assets not measured at fair value					
-Short term murabaha deposits	66,969	-	-	66,969	66,969
	66,969	-	-	66,969	66,969
Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2021 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	1,668	-	1,668	-	1,668
	1,668	-	1,668	-	1,668
Financial assets not measured at fair value					
- Short term murabaha deposits	77,908	-	-	77,908	77,908
	77,908	-	-	77,908	77,908

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

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

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nature of Transactions	Amount of Transactions for the		Balance receivable / (payable) as at	
		Three-month period ended			
		31 March	31 March	31 March	31 December
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SAR'000			
Entities controlled, jointly controlled or significantly influenced by related parties	Gross premium written	9	1	624	603
	Gross Claims paid	288	352	-	-
	Purchase of computer equipment, licenses, vehicles and other services	-	-	-	(104)
	Commission paid	-	28	-	-
Juffali Group (affiliates)					
Dr. Soliman Fakeeh Group – (affiliates)	Gross premium written	-	6	-	-
	Gross Claims paid	-	3,558	-	-
International Medical Center – (affiliates)	Gross premium written	-	32	-	-
	Gross Claims paid	-	6,526	-	-

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

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

	31 March 2022	31 March 2021
	(Unaudited)	(Unaudited)
	SAR'000	SAR'000
<i>Top management executives</i>		
Salaries and other allowances	780	1,078
End of service indemnities	29	40
	809	1,118

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15. ZAKAT AND INCOME TAX

a. Charge for the period / year

As the Company has incurred a loss during the three-month period ended 31 March 2022, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements

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

Movements in provision during the period / year	31 March 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
	SAR'000	
Balance at the beginning of the period / year	13,250	12,000
Release of zakat provision for prior years	-	2,475
Zakat provision for the current period / year	750	1,512
Total provision charged to income statement	750	3,987
Paid during the period / year	-	(2,737)
Balance at the end of the period / year	14,000	13,250

As the Company has incurred a loss during the three-month period ended 31 March 2022, and in previous years, no provision has been established in respect of income tax in these interim condensed financial statements.

b. Status of zakat assessments

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

The Zakat, Tax and Customs Authority (ZATCA) has raised assessments for the years 2015 through 2018 with additional zakat of SR 9.49 million. The Company has submitted an appeal to the TVDRC against the ZATCA's assessment and TVDRC's review is awaited. The zakat and tax returns for the years 2019 and 2020 are currently under review by the ZATCA.

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

16. SHARE CAPITAL

As at 31 March 2022, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

17. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

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18. LOSS PER SHARE

a) The basic per share is calculated as follows:

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Net loss for the period (SAR'000)	(17,513)	(21,886)
Weighted average number of ordinary shares outstanding (Shares'000)	15,000	15,000
Basic and diluted loss per share (SR / Share)	(1.17)	(1.46)

19. SUPPLEMENTARY INFORMATION

a) *Interim statement of financial position*

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	23,358	120,751	144,109	49,959	109,193	159,152
Short term murabaha deposits	-	66,969	66,969	-	77,908	77,908
Premiums receivable – net	51,482	-	51,482	58,486	-	58,486
Prepaid expenses and other assets	10,199	1,391	11,590	10,653	986	11,639
Deferred policy acquisition costs	7,035	-	7,035	6,926	-	6,926
Investments	-	1,808	1,808	-	1,668	1,668
Due from shareholders' operations	158,155	-	158,155	139,901	-	139,901
Property and equipment – net	1,287	-	1,287	1,523	-	1,523
Intangible assets – net	789	-	789	899	-	899
Right of use assets – net	170	-	170	679	-	679
Statutory deposit	-	22,500	22,500	-	22,500	22,500
Accrued commission income on statutory deposit	-	4,579	4,579	-	4,545	4,545
	252,475	217,998	470,473	269,026	216,800	485,826
Less: Inter-operations eliminations	(158,155)	-	(158,155)	(139,901)	-	(139,901)
TOTAL ASSETS	94,320	217,998	312,318	129,125	216,800	345,925

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

19. SUPPLEMENTARY INFORMATION – (continued)

a) Interim statement of financial position – (continued)

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
<u>LIABILITIES</u>						
Accrued and other liabilities	40,607	22	40,629	53,860	349	54,209
Unearned premiums	107,866	-	107,866	108,727	-	108,727
Outstanding claims	40,336	-	40,336	46,806	-	46,806
Claims incurred but not reported	16,722	-	16,722	15,745	-	15,745
Premium deficiency reserve	37,906	-	37,906	34,527	-	34,527
Other technical reserves	369	-	369	391	-	391
Due to insurance operations	-	158,155	158,155	-	139,901	139,901
End-of-service indemnities	5,486	-	5,486	5,787	-	5,787
Lease liabilities	2,250	-	2,250	2,250	-	2,250
Zakat and income tax provision	-	14,000	14,000	-	13,250	13,250
Accrued commission income payable to SAMA	-	4,579	4,579	-	4,545	4,545
	251,542	176,756	428,298	268,093	158,045	426,138
Less: Inter-operations eliminations	-	(158,155)	(158,155)	-	(139,901)	(139,901)
<u>TOTAL LIABILITIES</u>	251,542	18,601	270,143	268,093	18,144	286,237
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	150,000	150,000	-	150,000	150,000
Accumulated losses	-	(108,758)	(108,758)	-	(91,245)	(91,245)
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	41,242	41,242	-	58,755	58,755
Re-measurement reserve of defined indemnities obligation	933	-	933	933	-	933
<u>TOTAL EQUITY</u>	933	41,242	42,175	933	58,755	59,688
<u>TOTAL LIABILITIES AND EQUITY</u>	252,475	59,843	312,318	269,026	76,899	345,925

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

19. SUPPLEMENTARY INFORMATION – (continued)
b) Interim statement of income

For the three-month period ended 31 March

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written:						
- Individual	1,813	-	1,813	1,498	-	1,498
- Micro enterprises	7,736	-	7,736	4,128	-	4,128
- Small enterprises	22,646	-	22,646	13,661	-	13,661
- Medium enterprises	12,934	-	12,934	12,946	-	12,946
- Large enterprises	9,173	-	9,173	12,837	-	12,837
Total gross premiums written	54,302	-	54,302	45,070	-	45,070
Net premiums written	54,302	-	54,302	45,070	-	45,070
Changes in unearned premiums	861	-	861	(6,981)	-	(6,981)
Net premiums earned	55,163	-	55,163	38,089	-	38,089
TOTAL REVENUES	55,163	-	55,163	38,089	-	38,089
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	60,777	-	60,777	35,737	-	35,737
Net claims paid	60,777	-	60,777	35,737	-	35,737
Changes in outstanding claims – net	(6,470)	-	(6,470)	278	-	278
Changes in claims incurred but not reported – net	977	-	977	1,193	-	1,193
Net claims incurred	55,284	-	55,284	37,208	-	37,208
Changes in Premium deficiency reserve	3,379	-	3,379	4,876	-	4,876
Changes in Other technical reserves	(22)	-	(22)	13	-	13
Policy acquisition costs	3,375	-	3,375	1,735	-	1,735
Other underwriting expenses	2,685	-	2,685	1,418	-	1,418
TOTAL UNDERWRITING COSTS AND EXPENSES	64,701	-	64,701	45,250	-	45,250
NET UNDERWRITING LOSS	(9,538)	-	(9,538)	(7,161)	-	(7,161)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

19. SUPPLEMENTARY INFORMATION – (continued)
b) Interim statement of income – (continued)

For the three-month period ended 31 March

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts	(545)	-	(545)	(2,753)	-	(2,753)
General and administrative expenses	(7,367)	(274)	(7,641)	(11,175)	(1,137)	(12,312)
Commission Income on deposits	-	821	821	-	840	840
Unrealized gain on investments	-	140	140	-	44	44
Amortization of discount - net	-	-	-	-	40	40
Other income	-	-	-	166	-	166
TOTAL OTHER OPERATING EXPENSES	(7,912)	687	(7,225)	(13,762)	(213)	(13,975)
NET LOSS FOR THE PERIOD	(17,450)	687	(16,763)	(20,923)	(213)	(21,136)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net loss for the period attributed to shareholders' operations	(17,450)	687	(16,763)	(20,923)	(213)	(21,136)
Zakat expense	-	(750)	(750)	-	(750)	(750)
Net loss for the period	(17,450)	(63)	(17,513)	(20,923)	(963)	(21,886)
Loss per share (expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands share)			15,000			15,000
Basic and diluted loss per share for the period (SR/Share)			(1.17)			(1.46)

c) Interim statement of comprehensive income

For the three-month period ended 31 March

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
Net loss for the period attributable to shareholders	-	(17,513)	(17,513)	-	(21,886)	(21,886)
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	(17,513)	(17,513)	-	(21,886)	(21,886)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
19. SUPPLEMENTARY INFORMATION – (continued)
c) Interim statement of cash flows

For the three-month period ended 31 March

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period	-	(16,763)	(16,763)	-	(21,136)	(21,136)
Adjustments for non-cash items:						
Depreciation of property and equipment	236	-	236	215	-	215
Depreciation of right of use assets	509	-	509	509	-	509
Finance cost on lease liabilities	-	-	-	24	-	24
Amortization of intangible assets	110	-	110	124	-	124
Release of doubtful debts	545	-	545	2,753	-	2,753
Unrealized gain on investments	-	(140)	(140)	-	(44)	(44)
Amortization of discount – net	-	-	-	-	(40)	(40)
Provision for end-of-service indemnities	211	-	211	292	-	292
	1,611	(16,903)	(15,292)	3,917	(21,220)	(17,303)
Changes in operating assets and liabilities:						
Premiums receivable	6,459	-	6,459	(6,296)	-	(6,296)
Reinsurer share of outstanding claims	-	-	-	58	-	58
Deferred policy acquisition costs	(109)	-	(109)	(895)	-	(895)
Prepaid expenses and other assets	454	(405)	49	(4,600)	(275)	(4,875)
Accrued and other liabilities	(13,253)	(327)	(13,580)	4,420	(1,113)	3,307
Accrued commission income on statutory deposit	-	(34)	(34)	-	(57)	(57)
Unearned premiums	(861)	-	(861)	6,981	-	6,981
Outstanding claims	(6,470)	-	(6,470)	220	-	220
Claims incurred but not reported	977	-	977	1,193	-	1,193
Premium deficiency reserve	3,379	-	3,379	4,876	-	4,876
Other technical reserves	(22)	-	(22)	13	-	13
Accrued commission income payable to SAMA	-	34	34	-	57	57
Due to Insurance Operations	-	18,254	18,254	-	17,488	17,488
Due from Shareholders' Operations	(18,254)	-	(18,254)	(17,488)	-	(17,488)
Cash (used in) / generated from operating activities	(26,089)	619	(25,470)	(7,601)	(5,120)	(12,721)
End-of-service indemnities paid	(512)	-	(512)	(54)	-	(54)
Zakat paid	-	-	-	-	(301)	(301)
Net cash (used in) / generated from operating activities	(26,601)	619	(25,982)	(7,655)	(5,421)	(13,076)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - (continued)**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022****19. SUPPLEMENTARY INFORMATION – (continued)***c) Interim statement of cash flows – (continued)***For the three-month period ended 31
March**

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from maturing of short term murabaha deposits	-	10,939	10,939	-	14,427	14,427
Purchase of property and equipment	-	-	-	(98)	-	(98)
Purchase of intangible assets	-	-	-	(41)	-	(41)
Net cash generated from / (used in) investing activities	-	10,939	10,939	(139)	14,427	14,288
Net change in cash and cash equivalents	(26,601)	11,558	(15,043)	(7,794)	9,006	1,212
Cash and cash equivalents, beginning of the period	49,959	109,193	159,152	13,641	101,585	115,226
Cash and cash equivalents, end of the period	23,358	120,751	144,109	5,847	110,591	116,438

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by Board of Directors, on 14 Shawwal 1443H, corresponding to 15 May 2022.