

**GULF GENERAL COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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

**GULF GENERAL COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2023

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**KPMG Professional Services**  
Zahran Business Center  
Prince Sultan Street  
P. O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

**Headquarter in Riyadh**



**PKF**  
Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants

P. O. Box 15651 Jeddah 21454  
Kingdom of Saudi Arabia

# Independent auditor's report on review of interim condensed financial statements

To the shareholders of Gulf General Cooperative Insurance Company – A Joint Stock Company

## Report on the review of the Interim Condensed Financial Statements

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf General Cooperative Insurance Company (the "Company") as at 30 September 2023, the interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended, and interim condensed changes in equity and cash flows for the nine-months period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, 'Interim Financial Reporting' 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 the 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 the 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 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 September 2023 of Gulf General Cooperative Insurance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.



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Kingdom of Saudi Arabia

# Independent auditor's report on review of interim condensed financial statements (Continued)

To the shareholders of Gulf General Cooperative Insurance Company – A Joint Stock Company

## Emphasis of matter

We draw attention to Note 2(b) of the interim condensed financial statements, which indicates that the Company incurred a net loss of SR 1.4 million during the nine-months period ended 30 September 2023 and, as of that date, the Company's accumulated losses amounted to SR 247.1 million which represents 49.4% of the share capital. These conditions along with other matters as set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## Other matter

The interim condensed financial statements of the Company for the three-month and nine-month periods ended 30 September 2022, were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 10 November 2022 and the financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 2 April 2023.

## For KPMG Professional Services

**Ebrahim Oboud Baeshen**  
License No. 382

**Jeddah, Kingdom of Saudi Arabia**  
**Date: 8 November 2023**  
**Corresponding to 24 Rabi Al Thani, 1445H**



## For Al Bassasm & Co Certified Public Accountants


**Ahmed AbdulMajeed Mohandis**  
**Certified Public Accountant**  
License No. 477

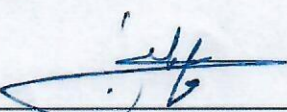


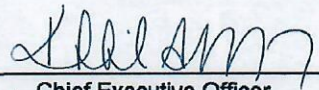


**GULF GENERAL COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
(All amounts in Saudi Riyal thousands unless otherwise stated)

	Note	(Unaudited) 30 September 2023	(Unaudited) 31 December 2022 (Restated Note 3)
<b>ASSETS</b>			
Cash and cash equivalents	4	5,313	5,152
Murabaha deposit	5	104,427	139,449
Reinsurance contract assets	9.2.1	48,216	56,793
Investments	6	88,111	84,570
Prepaid expenses and other assets	7	65,088	62,744
Property and equipment		13,855	15,498
Intangible assets		12,482	13,453
Goodwill		36,260	36,260
Right of use asset		2,492	527
Statutory deposit		74,986	75,000
Accrued expense on statutory deposit		2,116	3,634
<b>TOTAL ASSETS</b>		<b>453,346</b>	<b>493,080</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Accrued expenses and other liabilities		13,681	34,793
Insurance contract liabilities	9.2.2	135,026	150,046
Provision for Zakat	12	2,886	4,236
Employees' defined benefit obligations		2,935	4,661
Lease liability		2,442	27
Accrued income on statutory deposit payable to SAMA		2,116	3,634
<b>TOTAL LIABILITIES</b>		<b>159,086</b>	<b>197,397</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	500,000	500,000
Statutory reserve		2,165	2,165
Fair value reserve for investment		37,780	37,780
Re-measurement reserve of defined benefit obligations		1,370	1,370
Accumulated losses		(247,055)	(245,632)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>294,260</b>	<b>295,683</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>453,346</b>	<b>493,080</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	22	<b>300</b>	<b>300</b>

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer



**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

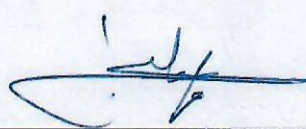
**INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)**

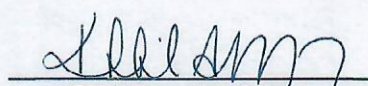
For the three-month and nine-month periods ended 30 September

(All amounts in Saudi Riyal thousands unless otherwise stated)

		Three-month period ended 30 September (Unaudited)		Nine-month period ended 30 September (Unaudited)	
	Note	2023	2022 (Restated Note 3)	2023	2022 (Restated Note 3)
<b>REVENUES</b>					
Insurance revenue	9.2.1	69,408	81,542	234,687	230,117
Insurance service expenses	9.2.1	(52,515)	(94,808)	(202,205)	(236,564)
Net expenses from reinsurance contracts	9.2.2	(9,796)	(14,168)	(26,797)	(33,295)
<b>Insurance service result</b>		<b>7,097</b>	<b>(27,434)</b>	<b>5,685</b>	<b>(39,742)</b>
Commission income on investments		1,548	(1,088)	5,529	171
Unrealized (loss) / gain on investments		(1,261)	2,251	3,541	(1,913)
<b>Investment return</b>		<b>287</b>	<b>1,163</b>	<b>9,070</b>	<b>(1,742)</b>
Net finance (expenses) / income from insurance contracts		(718)	145	(7,614)	(518)
Net finance income from reinsurance contracts		192	336	3,216	638
Net insurance finance (expense) / income		(526)	481	(4,398)	120
<b>Net insurance and investment result</b>		<b>6,858</b>	<b>(25,790)</b>	<b>10,357</b>	<b>(41,364)</b>
Operating expense		(4,464)	(4,490)	(9,080)	(13,020)
<b>Net profit / (loss) for the period attributable to the shareholders before zakat</b>		<b>2,394</b>	<b>(30,280)</b>	<b>1,277</b>	<b>(54,384)</b>
<b>Zakat</b>		<b>(900)</b>	<b>(900)</b>	<b>(2,700)</b>	<b>(3,250)</b>
<b>NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>1,494</b>	<b>(31,180)</b>	<b>(1,423)</b>	<b>(57,634)</b>
<b>Earnings / (Loss) per share (expressed in SAR per share)</b>		<b>0.03</b>	<b>(0.62)</b>	<b>(0.03)</b>	<b>(1.15)</b>

  
 Director

  
 Chief Financial Officer

  
 Chief Executive Officer



**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the three-month and nine-month periods ended 30 September

(All amounts in Saudi Riyal thousands unless otherwise stated)

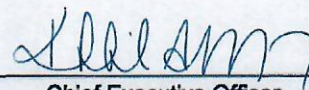
	Note	Three-month periods ended 30 September		Nine-month periods ended 30 September	
		2023	2022 (Restated Note 3)	2023	2022 (Restated Note 3)
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>1,494</b>	<b>(31,180)</b>	<b>(1,423)</b>	<b>(57,634)</b>
Other comprehensive loss					
<i>Items that will not be reclassified to statement of income in subsequent years</i>					
Actuarial losses on defined benefit obligations		--	--	--	--
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>1,494</b>	<b>(31,180)</b>	<b>(1,423)</b>	<b>(57,634)</b>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

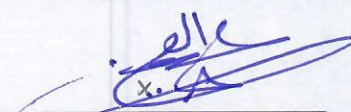
	Share capital	Statutory reserve	Fair value reserve on investments	Accumulated losses	Re- measurement reserve of defined benefit obligation	Total
Note						
Balance at 1 January 2022, as previously reported	500,000	2,165	--	(131,730)	437	370,872
Adjustment on initial application of IFRS 17, net of zakat						
Adjustment in other comprehensive income on initial application of IFRS 17 (Refer note 3)	--	--	--	(6,441)	--	(6,441)
Adjustment in other comprehensive income on initial application of IFRS 9 (Refer note 4)	--	--	35,109	(440)	--	34,669
	--	--	35,109	(6,881)	--	28,228
Balance as at 1 January 2022 (Restated)	500,000	2,165	35,109	(138,611)	437	399,100
<b>Total comprehensive income (restated*)</b>						
Loss for the period	--	--	--	(57,634)	--	(57,634)
Other comprehensive income for the period	--	--	--	--	--	--
Total comprehensive loss for the period (restated*)	--	--	--	(57,634)	--	(57,634)
Restated balance at 30 September 2022 (Unaudited)	500,000	2,165	35,109	(196,245)	437	341,466
Balance at 1 January 2023 (Unaudited)	500,000	2,165	37,780	(245,632)	1,370	295,683
Total comprehensive income:						
Loss for the period	--	--	--	(1,423)	--	(1,423)
Other comprehensive income for the period	--	--	--	--	--	--
Total comprehensive loss for the period	--	--	--	(1,423)	--	(1,423)
Balance at 30 September 2023 (Unaudited)	500,000	2,165	37,780	(247,055)	1,370	294,260
Director						
Chief Financial Officer						
Chief Executive Officer						

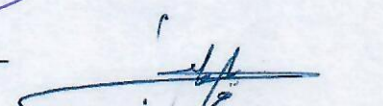
The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

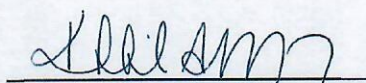


**GULF GENERAL COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENTS OF CASHFLOWS (UNAUDITED)**  
For the nine-months period ended 30 September  
(All amounts in Saudi Riyal thousands unless otherwise stated)

	Notes	30 September 2023 <i>Unaudited</i>	30 September 2022 <i>Unaudited (Restated Note 3)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss) for the period before zakat		1,277	(54,384)
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment		1,716	1,739
Amortization of intangible assets		1,102	849
Depreciation of right-of-use assets		805	817
Commission income on investment		(5,529)	(171)
Finance cost on lease liability		66	--
Unrealised (loss) / gain on investments held at fair value through income statement		(3,541)	4,369
Expected credit losses		(1,824)	5,546
		(5,928)	(41,235)
<b>Changes in operating assets and liabilities:</b>			
Insurance contract liability		(13,157)	(47,224)
Reinsurance contract asset		8,577	23,256
Prepaid and other assets		(2,344)	(17,583)
Accrued expenses and other liabilities		(15,586)	17,045
<b>Cash used in operations</b>		<b>(28,438)</b>	<b>(65,741)</b>
Zakat paid	12	(4,050)	(2,069)
End of service payments		(1,726)	(32)
<b>Net cash used in operating activities</b>		<b>(34,214)</b>	<b>(67,842)</b>

  
Director

  
Chief Financial Officer

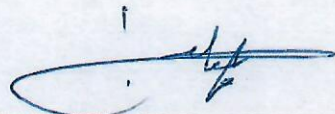
  
Chief Executive Officer

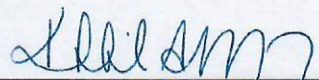


**GULF GENERAL COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENTS OF CASHFLOWS (UNAUDITED)**  
For the nine-months period ended 30 September  
(All amounts in Saudi Riyal thousands unless otherwise stated)

	Notes	30 September 2023 SR'000	30 September 2022 SR'000 (Restated Note 3)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(72)	(4,345)
Purchase of intangible asset		(131)	(3,578)
Maturity / (purchase) of Murabaha deposits		35,000	(164,449)
<b>Net cash generated from / (used in) investing activities</b>		<b>34,797</b>	<b>(172,372)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(422)	(550)
<b>Net cash used in financing activities</b>		<b>(422)</b>	<b>(550)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>161</b>	<b>(240,764)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,152</b>	<b>256,110</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>5,313</b>	<b>15,346</b>

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Executive Officer



## **GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

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#### **1 General**

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia (KSA) as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered office address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company  
Al Gheithy Plaza, Second Floor,  
Ameer Al Shoura'a Street  
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

<b>Branch</b>	<b>Commercial Registration No.</b>	<b>Date of Registration</b>
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

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

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	<u>100%</u>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

#### **1.2 Portfolio transfer**

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.

## **GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

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## **2 Basis of preparation**

### **(a) Statement of compliance**

The interim condensed financial statements of the Company 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 pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This is the first set of the Company's interim condensed financial statements in which IFRS 17 - Insurance Contracts ("IFRS 17") and IFRS 9 - Financial Instruments ("IFRS 9") as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant judgments, estimates and accounting policies are described in Note 3 Comparative information was restated due to the adoption of IFRS 17 and IFRS 9.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

In preparing the Company's interim condensed financial statements in compliance with IFRS as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains and 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 interim condensed financial statements may not be considered indicative of the expected results for the full year.

### **(b) Going Concern**

The Company has a net loss of SR 1.4 million during the period ended 30 September 2023 (30 September 2022: net loss of SR 57.63 million) and, as of that date, the Company's accumulated losses amounted to SR 247.05 million (31 December 2022: SR 245.6 million) which represents 49.41% of the share capital. Since the accumulated losses of the Company amounted to 49.41% of the share capital, the requirements of Article 4, Part 2 of 'CMA's Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of Their Share Capital' continued to be triggered. These events and conditions, indicate that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management of the Company has prepared and implemented a detailed business plan for future prospects of the Company with approval by the Board of Directors and has undertaken strategic initiatives to address the material uncertainty. The steps being taken by the management to improve performance include operational measures to enhance claims management and recoveries from salvage and subrogation; manage cost rationalization through expense control and reducing discretionary spending, and improve the portfolio mix by focusing on more profitable lines of business and products. Company is also putting in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions, focus on digital marketing to improve market share and increase process efficiencies leveraging core system capabilities

Based on the above measures taken by the management, along with existing cash and cash equivalents and other liquid assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above these financial statements have been prepared on going concern basis.

### **(c) Basis of measurement**

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value and defined benefits obligations, which are recognised at the present value of future obligation using Projected Unit Credit Method. The Company's condensed statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, investments, statutory deposit and warranty and engineering related insurance and reinsurance contracts, all other assets and liabilities are of short-term nature, unless, stated otherwise. The current and non-current classification of the assets and liabilities have not changed since the year ended 31 December 2022.



**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

**2 Basis of preparation (continued)****(d) Functional and presentation currency**

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

**(e) Basis of presentation**

The interim condensed financial statements do not include all of the information required for complete set of annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2022. Comparative information was restated due to the adoption of IFRS 17 - Insurance Contracts ("IFRS 17") and IFRS 9 - Financial Instruments ("IFRS 9"). Therefore, comparative information was restated accordingly to maintain comparability. Refer to Note 3 for more details.

**(f) Seasonality of operations**

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

**3. Significant accounting policies****3.1 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022 except as explained below:

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

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

The new accounting policies and the impact of the adoption of these new standards are disclosed in Note 3.2.

A number of other amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after January 01, 2023. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments which are described below:

<b><u>Interpretation</u></b>	<b><u>Description</u></b>
IAS 1 IAS 12 Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	<i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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.</i>

Certain new interpretations issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The listing is of interpretations issued, which the Company reasonably expects to be applicable at a future date. Management is in the process of assessing the impact of such new interpretations on its financial statements. The Company intends to adopt these interpretations when they are effective.

<b><u>Interpretation</u></b>	<b><u>Description</u></b>	<b><u>Effective from periods beginning on or after the following date</u></b>
IFRS 16	<i>Lease liability in a sale and leaseback – Amendments to IFRS 16</i>	January 01, 2024
IFRS 10 and IAS 28	<i>Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)</i>	Available for optional adoption / effective date deferred indefinitely

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### **3. Significant accounting policies (continued)**

#### **3.2 IFRS 17 Insurance Contracts**

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after January 1, 2023. The Company has restated comparative information for 2022 applying the full retrospective transition approach prescribed in the standard. The nature of the changes in accounting policies can be summarized as follows:

##### **3.2.1 Changes in accounting policies:**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

##### **i. Classification and summary of measurement models**

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

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

##### **ii. Level of aggregation**

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

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the portfolio.

The portfolios are further divided by year of issue.

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

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

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a policyholder-pricing-groups level.



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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.1 Changes in accounting policies (continued):****iii. Recognition**

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

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

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

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

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

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

**iv. Contract boundaries**

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

A substantive obligation to provide services ends when:

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

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

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#### **3. Significant accounting policies (continued)**

##### **3.2 IFRS 17 Insurance Contracts (continued)**

###### **3.2.1 Changes in accounting policies (continued):**

###### **V. Measurement**

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

- The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general measurement model requirements; or
- The coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

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

- **Insurance contracts:**

The coverage period of Medical, Marine, Property, Motor TPL, Motor Comprehensive and accident and liability contracts in the group of contracts is one year or less and are therefore eligible to be measured under the PAA.

Once the selected term has ended, the insurance contract is terminated and a policyholder could potentially obtain new coverage on the new terms, subject to successful underwriting. All insurance contracts in this segment offer fixed and guaranteed death benefits over the contractual term.

PAA eligibility testing has been performed for the Engineering and Accident & liability group of contracts since the coverage period is more than one year. The Company reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA would not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

###### **Reinsurance contracts:**

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

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

###### **Measurement on initial recognition under PAA:**

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

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

On initial recognition of each group of insurance contracts except for engineering and accident & liability groups, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

For all other group of contracts, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

###### **Subsequent measurement under PAA:**



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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.1 Changes in accounting policies (continued):****v. Measurement (continued)**

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

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

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

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

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

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

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

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

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

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation, which are covered in Note 2(e)(ii).

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

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

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#### **3. Significant accounting policies (continued)**

##### **3.2 IFRS 17 Insurance Contracts (continued)**

###### **3.2.1 Changes in accounting policies (continued):**

###### **v. Measurement (continued)**

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

Onerous contract assessment:

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

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

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

###### **vi. De-recognition and contract modification**

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

###### **vii. Acquisition & Attributable Cost**

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

###### **viii. Risk adjustment for non-financial risk**

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

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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.1 Changes in accounting policies (continued):****ix. Presentation**

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

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

Insurance revenue:

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

Insurance service expenses:

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

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

Net expenses from reinsurance contracts:

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

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

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

Insurance finance income and expenses:

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

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



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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.2 Changes to classification, recognition and measurement**

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

- **Deferral of acquisition costs** – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. An entity may elect to capitalize and amortize these costs over the coverage period based on the expected timing of incurred insurance service expense of the related group. It is similar to IFRS 4's deferred acquisition costs.
- **Discount rate** – Under IFRS 17, the liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. The changes in discounting methodology did not have a significant impact on transition. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- **Risk Adjustment** -Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk ("risk adjustment") which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification, therefore the two methodologies are fairly aligned. As a result, the changes in methodology did not have a significant impact on transition.
- **Onerous contracts** – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. For onerous contracts, the loss component based on projected profitability is recognized immediately in Net income, resulting in earlier recognition compared to IFRS

4. Onerous contracts did not have a significant impact on transition to IFRS 17.

**3.2.3 Changes to presentation and disclosure****Statement of financial position**

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

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

Line items under IFRS 17	Line items under IFRS 4, now combined under one line item under IFRS 17
Insurance contract liabilities	<ul style="list-style-type: none"> <li>- Premiums receivable</li> <li>- Deferred policy acquisition costs</li> <li>- Unearned premiums</li> <li>- Outstanding claims</li> <li>- Claims incurred but not reported</li> <li>- Premium deficiency reserve</li> <li>- Due to agents, brokers and third-party administrator</li> <li>- Policyholders payable</li> <li>- Salvage recoverable, within prepaid expenses and other assets</li> <li>- SAMA, Najm and Elm fee payables, within accrued expenses and other liabilities</li> </ul>
Reinsurance contract assets	<ul style="list-style-type: none"> <li>- Reinsurers' share of unearned premiums</li> <li>- Reinsurers' share of outstanding claims</li> <li>- Reinsurers' share of claims incurred but not reported</li> <li>- Payable to reinsurers, within due to reinsurers, agents, brokers and third-party administrator</li> <li>- Due from reinsurers</li> <li>- Unearned reinsurance commission</li> </ul>

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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.3 Changes to presentation and disclosure (continued):****Statement of comprehensive income**

The line-item descriptions in the statement of income have been changed significantly compared to presentation in the latest annual financial statements. Insurance revenue under IFRS 17 includes gross written premium, gross movement in unearned premiums and expected credit losses on receivables from policy holders.

Insurance service expense under IFRS 17 includes gross claims paid, changes in outstanding claims, changes in incurred but not reported claims, changes in loss component, policy acquisition costs, attributable expenses and the impact of release in the risk adjustment. The changes in premium deficiency reserve is eliminated and instead changes in loss component is taken. Net income / (expenses) from reinsurance contracts held under IFRS 17 includes reinsurance premium ceded, changes in reinsurer's share of unearned premiums, reinsurance commission earned, reinsurance share of paid claims, reinsurance share of outstanding claims, reinsurance share of changes in claims incurred but not reported, change in reinsurance accrual reserve, expected credit losses on reinsurance receivables and the impact of loss adjustment the risk adjustment for non-financial risk. Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under net insurance financial result.

IFRS 17 resulted in presentation changes to IFRS 4's underwriting expenses since expenses are classified either as insurance acquisition cash flows and fulfilment cash flows within insurance service expense or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as underwriting expenses under IFRS 4 are now presented as other expenses under IFRS 17 in the line other operating expenses. The following previously reported line items are no longer disclosed: direct premiums written, net earned premiums, net claims incurred, and underwriting expenses.

**3.2.4 Transition**

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

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

The impact of transition to IFRS 17 on retained earnings is, as follows:

	1 January 2023	1 January 2022
<b>(Reduction) / increase in the Company's total equity</b>		
Change in measurement of reinsurance contract assets	3,203	2,961
Change in measurement of insurance contract liabilities	(12,418)	(9,402)
<b>Impact of adoption of IFRS 17 before zakat</b>	<b>(9,215)</b>	<b>(6,441)</b>
	<b>1 January 2023</b>	<b>1 January 2022</b>
<b>Increase / (reduction) in the Company's total assets</b>		
Risk adjustment	1,352	924
Discounting	(1,007)	(1,035)
Loss recovery	2,858	3,072
<b>Impact of adoption of IFRS 17 on total assets</b>	<b>3,203</b>	<b>2,961</b>
	<b>1 January 2023</b>	<b>1 January 2022</b>
<b>(Increase) / reduction in the Company's total liabilities</b>		
Risk adjustment	4,178	1,924
Impairment of premiums receivable	82	(3,539)
Discounting	(1,164)	(710)
Loss component	9,322	11,727
<b>Impact of adoption of IFRS 17 on total liabilities</b>	<b>12,418</b>	<b>9,402</b>

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**3. Significant accounting policies (continued)****3.2 IFRS 17 Insurance Contracts (continued)****3.2.4 Transition (continued):**

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

The impact on the net loss for the three-month and nine-month periods ended 30 September 2022 attributable to the shareholders, arising from risk adjustment, discounting, loss component adjustment and expected premium receipts, in line with the requirements of IFRS 17, is as follows:

	For the three-month periods ended 30 September 2022	For the nine- month periods ended 30 September 2022
Net loss after zakat as previously reported	(16,387)	(53,340)
<b>Estimated (increase) / reduction in the Company's net loss</b>		
Loss component	(13,976)	(1,435)
Risk adjustment, net	(206)	400
Discounting, net	(250)	290
Estimates for expected premium receipts	(361)	(3,549)
<b>Adjusted loss after zakat - restated</b>	<b>(31,180)</b>	<b>(57,634)</b>

**3.3 IFRS 9 Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

**3.3.1 Changes in accounting policies:****3.3.1.1 Financial assets and liabilities****i. Initial recognition**

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

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

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



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**3. Significant accounting policies (continued)****3.3 IFRS 9 Financial Instruments (continued)****3.3.1 Changes in accounting policies (continued):****3.3.1.1 Financial assets and liabilities (continued)****i. Initial recognition (continued)****Amortised cost and effective interest rate**

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

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

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

**ii. Classification and subsequent measurement of financial assets**

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

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

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

**Debt instruments**

Classification and subsequent measurement of debt instruments depend on:

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

**Business model:**

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

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**3. Significant accounting policies (continued)****3.3 IFRS 9 Financial Instruments (continued)****3.3.1 Changes in accounting policies (continued):****3.3.1.1 Financial assets and liabilities (continued)****ii. Classification and subsequent measurement of financial assets (continued)**

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage. Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Profit income from these financial assets is included in 'Interest income' using the effective profit method.

Fair value through other comprehensive income ("FVOCI"):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in 'Interest income' using the effective profit method. Currently no debt instrument is classified as FVOCI.

Fair value through profit or loss (FVTPL):

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

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

Equity instruments:

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

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#### **3. Significant accounting policies (continued)**

##### **3.3 IFRS 9 Financial Instruments (continued)**

###### **3.3.1 Changes in accounting policies (continued):**

###### **3.3.1.1 Financial assets and liabilities (continued)**

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

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

Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently all equity securities are designated as FVOCI.

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

###### **3.3.1.2 Impairment of financial assets**

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

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

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

Liability for remaining coverage (LFRC) adjustment:

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

Non-performance risk (NPR) adjustment:

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

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



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**3. Significant accounting policies (continued)****3.3 IFRS 9 Financial Instruments (continued)****3.3.1 Changes in accounting policies (continued):****3.3.1.2 Impairment of financial assets (continued)**

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

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

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

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

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

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

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

**3.3.1.3 Derecognition of financial assets**

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

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

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

**3.3.1.4 Classification and subsequent measurement of financial liabilities**

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

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### **3. Significant accounting policies (continued)**

#### **3.3 IFRS 9 Financial Instruments (continued)**

##### **3.3.1 Changes in accounting policies (continued):**

##### **3.3.1.5 Derecognition of financial liabilities**

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

##### **3.3.2 Changes to classification and measurement**

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

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

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

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

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

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

##### **3.3.3 Changes to the impairment calculation**

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments. ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value. Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon. Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data. Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

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**3. Significant accounting policies (continued)****3.3 IFRS 9 Financial Instruments (continued)****3.3.3 Changes to the impairment calculation (continued)**

Forward looking estimate: While estimating the ECL, the Company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD. IFRS 9 impairment applies to financial instruments that are not measured at Fair value through profit or loss (FVTPL). Equity instruments measured at FVOCI are also excluded from the purview of impairment.

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

**3.3.4 Transition disclosures**

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

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designated financial assets and liabilities as measured at FVTPL. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale; and
- the designation of certain investments in equity instruments not held for trading as FVOCI.

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

Financial assets	31 December 2022		Re-classification	Re-measurement		1 January 2023	
	Category	IAS 39 Amount		ECL	Others	Category	IFRS 9 Amount
Cash and cash equivalents	Loans & receivables	5,152	--	--		Held at amortised cost	5,152
Term deposits	Loans & receivables	139,449	--	--		Held at amortised cost	139,449
Fair value through statement of income investments (FVSI)	Held for trading (HFT)	39,867	--	--		FVTPL	39,867
Alrajhi Sukuks	Held to maturity (HTM)	3,000	--	--		FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity (HTM)	2,000	--	--		FVTPL	2000
Available-for-sale investment (Refer Note 6.3)	Available for sale (AFS)	1,923	--	--	37,780	FVOCI	39,703
Statutory deposit	Loans & receivables	75,000	--	--		Held at amortised cost	75,000
Accrued income on statutory deposit	Loans & receivables	3,634	--	--		Held at amortised cost	3,634
Other assets	Loans & receivables	20,235		(499)		Not applicable	19,736

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**3. Significant accounting policies (continued)****3.3 IFRS 9 Financial Instruments (continued)****3.3.4 Transition disclosures (continued)**

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

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

Financial assets	31 December 2021 IAS 39		Re- classification	Re-measurement		1 January 2022 IFRS 9	
	Category	Amount		ECL	Others	Category	Amount
Cash and cash equivalents	Loans & receivables	256,110	--	--	--	Held at amortised cost	256,064
Term deposits	Loans & receivables	-	--	--	--	Held at amortised cost	-
Fair value through statement of income investments (FVSI)	Held for trading (HFT)	44,832	--	--	--	FVTPL	44,832
Alrajhi Sukuks	Held to maturity (HTM)	3,000	--	--	--	FVTPL	3,000
Saudi Fransi Bank Sukuks	Held to maturity (HTM)	2,000	--	--	--	FVTPL	2000
Available-for-sale investment (Refer Note 6.3)	Available for sale (AFS)	1,923	--	--	35,109	FVOCI	37,032
Statutory deposit	Loans & receivables	75,000	--	--	--	Held at amortised cost	74,986
Accrued income on statutory deposit	Loans & receivables	2,495	--	--	--	Held at amortised cost	2,495
Other assets	Loans & receivables	1,547	--	(440)	--	Not applicable	1,107

The impact of transition to IFRS 9 on retained earnings is, as follows:

	1 January 2023	1 January 2022
<b>Increase / (reduction) in the Company's total equity</b>		
Impairment of financial assets	(499)	(440)
Fair valuation of Najm shares (Refer Note 6.3)	37,780	35,109
<b>Impact of adoption of IFRS 9 before zakat</b>	<b>37,281</b>	<b>34,669</b>

The impact on the net loss and other comprehensive income for the nine-month period ended 30 September 2022 upon adoption of IFRS 9, is not material.



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### **3. Significant accounting policies (continued)**

#### **3.4 Critical accounting judgments, estimates and assumptions**

The preparation of interim condensed financial statements 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 expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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 2022 except for points (i) to (vi) below, which changed upon adoption of IFRS 17 and IFRS 9.

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

##### **i. Estimates of future cash flows to fulfil insurance contracts**

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

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

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

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

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

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**3. Significant accounting policies (continued)****3.4 Critical accounting judgments, estimates and assumptions (continued)****ii. Discounting methodology**

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims. The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by European Insurance and Occupational Pensions Authority (EIOPA) were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for application. The Company has used the USD volatility adjustment reported for Solvency II as a proxy for illiquidity premium. The Company is currently discounting liability for incurred claims for all groups of insurance contracts.

**iii. Risk adjustment for non-financial risks**

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts. The Company adopted the PAA simplification for the calculation of liability for remaining coverage. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as onerous.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 70<sup>th</sup> percentile (the target confidence level) over the expected present value of the future cash flows.

**iv. Onerosity determination**

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company performs the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if "facts and circumstances" indicate that there are significant changes in product pricing, product design, plans and forecasts. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment. The Company has established a process for the underwriting team to capture onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately. Refer Note 3.2.1 for further details in this regard.

**v. Impairment of premiums receivable accounted for under IFRS 17**

The Company has developed impairment methodology for premiums receivable balances based on provision matrix approach. The premiums receivable balances have been reclassified to insurance contract liabilities in line with the requirements of IFRS 17. To measure the impairment, premiums receivable have been grouped based on shared credit risk characteristics for respective policyholder base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross domestic product and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Management considers trade receivables as being in default when they are past due for over 365 days and are accordingly completely provided for.

**vi. Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Also see Note 15.

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**4 Cash and cash equivalents**

	<b>30 September 2023</b>	31 December 2022
<b>Insurance operations</b>		
Cash in hand	<b>8</b>	9
Cash in banks	<b>5,308</b>	5,143
Expected credit loss	<b>(3)</b>	--
	<b>5,313</b>	5,152

The bank balances and deposits are with banks, registered in Saudi Arabia and are denominated in Saudi Riyals.

The gross carrying amount of financial assets measured at amortised cost represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB, whereas non-investment grade represents un-rated exposures. The Company's exposures to credit risk are not collateralized.

**5 Murabaha Deposit**

Murabaha deposits comprises the following:

	<b>Note</b>	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Unaudited)
Murabaha deposits	5.1 & 5.2	<b>104,449</b>	139,449
Expected credit loss		<b>(22)</b>	--
		<b>104,427</b>	134,449

5.1 Murabaha deposits earn commission at an average rate of 5.36% per annum as at 30 September 2023 (31 December 2022: 2.49% per annum).

5.2 Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the date of acquisition.

5.3 The gross carrying amount of financial assets measured at amortised cost represents the Company's maximum exposure to credit risk on these financial assets which are categorised under investment grade and Stage 1. Investment grade includes those financial assets having credit exposure equivalent to Standard and Poor's rating of AAA to BBB, whereas non-investment grade represents un-rated exposures. The Company's exposures to credit risk are not collateralized.

**6 Investments**

	<b>Note</b>	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Restated Note 3) (Unaudited)
Measured at fair value through profit or loss		<b>48,408</b>	44,867
Measured at fair value through other comprehensive income		<b>39,703</b>	39,703
		<b>88,111</b>	84,570

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**6 Investments (continued)****6.1 Investments held at fair value through profit or loss (continued)****Movement in investments classified as Investments held at fair value through profit or loss is as follows:**

	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Unaudited)
Balance at beginning of the period / year	44,867	44,832
Reclassification	--	5,000
Unrealised gain during the period / year	3,541	(4,965)
Balance at end of the period / year	<u>48,408</u>	<u>44,867</u>

a) The investments held at fair value through profit and loss of shareholders' operations comprise of portfolio amounting to SR 43.41 million (2022: SR 39.86 million) which is invested in mutual funds and equity shares and SR 5 million (2022: SR 5 million) which is invested in Sukuks in the Kingdom of Saudi Arabia. The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities, mutual funds and Sukuks issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

b) Investment in Tier-1 sukuks:

	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Restated Note 3) (Unaudited)
Banque Saudi Fransi Sukuks	2,000	2,000
Al Rajhi Bank – Sukuks	3,000	3,000
	<u>5,000</u>	<u>5,000</u>

This represents the Company's investment in Banque Saudi Fransi and AlRajhi Tier 1 Sukuks. These represent 2 Sukuks at a face value of SAR 5 million with a coupon rate of 4.50% and 5.5% per annum. These Sukuks have a maturity duration of 5 years commencing from 3 November 2020. The Company has earned commission income of SR 0.191 million during the period (30 September 2022: SR 0.068 million). These sukuks have failed SPPI assessment and are therefore classified as FVTPL.

**6.2 Investments held at FVOCI**

This represents the Company's 3.45% (31 December 2022: 3.45%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at fair value. The Company has determined the fair value of its investment in Najm, which was previously carried at initial cost of SR 1.9 million until 31 December 2022, to be SR 37.02 million at as 31 December 2021 and SR 39.70 million as at 31 December 2022. Accordingly, the required adjustments to bring the carrying value of such investment to its fair value, in accordance with the requirements of IFRS 9, have been recorded in the opening equity as of 1 January 2022, 31 December 2022. Also see Note 3.3.3.

**7 Prepaid expenses and other assets**

	<b>Note</b>	<b>30 September 2023 (Unaudited)</b>	31 December 2022 (Unaudited)
Prepayment		28,802	32,103
Other assets (note 7.1 & 7.2)		36,785	31,140
Provision expected credit loss		(499)	(499)
		<u>65,088</u>	<u>62,744</u>

**7.1** Other prepayment include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Custom Authority ("ZATCA") for 2018 and 2019 financial years amounting to SR 7.3 million. The payments were made to ZATCA to avoid penalties. However, the Company has submitted objections to the ZATCA assessment. The Company's management believes that there is strong basis that the assessment raised by the ZATCA will be reversed and the full amount will be returned in due course.



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**7 Prepaid expenses and other assets (Continued)**

**7.2** Prepayments include payment made by the Company in relation to VAT assessment raised by Zakat, Tax and Custom Authority ("ZATCA") for 2018, 2019 and 2020 financial years amounting to SR 2.5 million. On 6 January 2023, the Company filed an objection to ZATCA with regards to the aforementioned final assessment. On 4 May 2023 ZATCA issued his decision and accepted the amount of SR 2.46 million the remaining amount of SR 0.05 million was rejected. The management has booked a provision on the remaining amount.

**8 Statutory Deposit**

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 20 million, in a bank designated by SAMA. During 2021, the company has increased its share capital, by SR 300 million and the legal formalities have been finalized, however the company deposited an additional amount of statutory deposit equivalent to 15% of its new paid-up share capital amounting to SR 45 million. The Statutory balance as at 30 September 2023 amounting to SR 75 million (31 December 2022: SR 75 million). Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

**9 Insurance and reinsurance contracts****9.1 Composition of statement of financial position**

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

	Medical	Motor- TPL	Motor- Comp	Property	Engineering	Marine	Accident & liability	Total
<b>As at 30 September 2023 (Unaudited)</b>								
<b>Insurance Contracts</b>								
Insurance contract assets	--	--	--	--	--	--	--	--
Insurance contract liabilities	<u>31,529</u>	<u>37,692</u>	<u>33,297</u>	<u>14,557</u>	<u>3,019</u>	<u>4,135</u>	<u>10,797</u>	<u>135,026</u>
	<u>31,529</u>	<u>37,692</u>	<u>33,297</u>	<u>14,557</u>	<u>3,019</u>	<u>4,135</u>	<u>10,797</u>	<u>135,026</u>
<b>Reinsurance contracts</b>								
Reinsurance contract assets	<u>3,833</u>	<u>5,672</u>	<u>5,334</u>	<u>19,668</u>	<u>2,856</u>	<u>4,693</u>	<u>6,160</u>	<u>48,216</u>
Reinsurance contract liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>3,833</u>	<u>5,672</u>	<u>5,334</u>	<u>19,668</u>	<u>2,856</u>	<u>4,693</u>	<u>6,160</u>	<u>48,216</u>
<b>As at 31 December 2022 (Unaudited)</b>								
<b>Insurance Contracts</b>								
Insurance contract assets	--	--	--	--	--	--	--	--
Insurance contract liabilities	<u>34,481</u>	<u>12,086</u>	<u>71,906</u>	<u>10,524</u>	<u>3,332</u>	<u>4,941</u>	<u>12,776</u>	<u>150,046</u>
	<u>34,481</u>	<u>12,086</u>	<u>71,906</u>	<u>10,524</u>	<u>3,332</u>	<u>4,941</u>	<u>12,776</u>	<u>150,046</u>
<b>Reinsurance contracts</b>								
Reinsurance contract assets	<u>5,298</u>	<u>1,359</u>	<u>13,351</u>	<u>17,808</u>	<u>3,556</u>	<u>6,826</u>	<u>8,595</u>	<u>56,793</u>
Reinsurance contract liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u>5,298</u>	<u>1,359</u>	<u>13,351</u>	<u>17,808</u>	<u>3,556</u>	<u>6,826</u>	<u>8,595</u>	<u>56,793</u>

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**9 Insurance and reinsurance contracts (continued)**
**9.2 Analysis by remaining coverage and incurred claims**
**9.2.1 Insurance contracts:**

	As at 30 September 2023 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts					
Insurance contract liabilities - opening	32,874	22,408	90,587	4,177	150,046
Insurance contract assets – opening	--	--	--	--	--
<b>Opening balance – net (Unaudited)</b>	<b>32,874</b>	<b>22,408</b>	<b>90,587</b>	<b>4,177</b>	<b>150,046</b>
<b>Insurance revenue</b>	<b>(234,687)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(234,687)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	--	--	103,468	1,045	104,513
Onerous contracts recognized	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC	--	--	84,658	(1,734)	82,924
Reversal of losses on onerous contracts	--	(18,707)	--	--	(18,707)
Insurance acquisition cashflows amortisation	33,475	--	--	--	33,475
<b>Insurance service expenses</b>	<b>(201,212)</b>	<b>(18,707)</b>	<b>188,126</b>	<b>(689)</b>	<b>(32,482)</b>
Finance expense from insurance contracts	--	--	7,614	--	7,614
<b>Total changes in the statement of income</b>	<b>(201,212)</b>	<b>(18,707)</b>	<b>195,740</b>	<b>(689)</b>	<b>(24,868)</b>
<b>Cashflows</b>					
Premiums received	262,009	--	--	--	262,009
Other charges	--	--	--	--	--
Claims and other directly attributable expenses paid	--	--	(215,218)	--	(215,218)
Insurance acquisition cashflows paid	(36,943)	--	--	--	(36,943)
<b>Total cash inflows / (outflows)</b>	<b>225,066</b>	<b>--</b>	<b>(215,218)</b>	<b>--</b>	<b>9,848</b>
Insurance contracts					
Insurance contract liabilities – closing	56,728	3,701	71,109	3,488	135,026
Insurance contract assets – closing	--	--	--	--	--
<b>Closing balance – net (Unaudited)</b>	<b>56,728</b>	<b>3,701</b>	<b>71,109</b>	<b>3,488</b>	<b>135,026</b>

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**9 Insurance and reinsurance contracts (continued)****9.2 Analysis by remaining coverage and incurred claims (continued)****9.2.1 Insurance contracts (continued):**

	As at 31 December 2022 (Unaudited)				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Insurance contracts					
Insurance contract liabilities – opening	37,769	24,000	95,546	1,924	159,239
Insurance contract assets – opening	--	--	--	--	--
Opening balance – net (Unaudited)	37,769	24,000	95,546	1,924	159,239
Insurance revenue	(319,472)	--	--	--	(319,472)
Insurance service expenses					
Incurred claims and other directly attributable expenses	--	--	309,064	3,805	312,869
Onerous contracts recognized	--	--	--	--	--
Changes that relate to past service - adjustments to the LIC	--	--	(4,906)	(1,552)	(6,458)
Reversal of losses on onerous contracts	--	(1,592)	--	--	(1,592)
Insurance acquisition cashflows amortisation	49,634	--	--	--	49,634
Insurance service expenses	(269,838)	(1,592)	304,158	2,253	34,981
Finance expense from insurance contracts	--	--	1,291	--	1,291
Total changes in the statement of income	(269,838)	(1,592)	305,449	2,253	36,272
Cashflows					
Premiums received	312,009	--	--	--	312,009
Other charges	--	--	--	--	--
Claims and other directly attributable expenses paid	--	--	(310,408)	--	(310,408)
Insurance acquisition cashflows paid	(47,066)	--	--	--	(47,066)
Total cash inflows / (outflows)	264,943	--	(310,408)	--	(45,465)
Insurance contracts					
Insurance contract liabilities – closing	32,874	22,408	90,587	4,177	150,046
Insurance contract assets – closing	--	--	--	--	--
Closing balance – net (Unaudited)	32,874	22,408	90,587	4,177	150,046

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**9 Insurance and reinsurance contracts (continued)**
**9.2 Analysis by remaining coverage and incurred claims (continued)**
**9.2.2 Reinsurance contracts held:**

	As at 30 September 2023 (Unaudited)				
	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding recovery component	Recovery component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts					
Reinsurance contract assets – opening	(19,560)	(2,858)	(33,023)	(1,352)	(56,793)
Reinsurance contract liabilities – opening	--	--	--	--	--
<b>Opening balance – net (Unaudited)</b>	<b>(19,560)</b>	<b>(2,858)</b>	<b>(33,023)</b>	<b>(1,352)</b>	<b>(56,793)</b>
<b>Reinsurance premium earned</b>	<b>56,683</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>56,683</b>
<b>Reinsurance service expenses</b>					
Claims recovered and other directly attributable expenses	--	--	(29,262)	(203)	(29,465)
Changes that relate to past service - adjustments to the LIC	--	--	5,809	238	6,047
Effect of changes in the risk of reinsurers non-performance	--	--	--	--	--
Reversal of loss component	--	2,278	--	--	2,278
Reinsurance acquisition cashflows amortisation	(8,746)	--	--	--	(8,746)
<b>Reinsurance service expenses - net</b>	<b>47,937</b>	<b>2,278</b>	<b>(23,453)</b>	<b>35</b>	<b>26,797</b>
Finance income from reinsurance contracts	--	--	(3,216)	--	(3,216)
<b>Total changes in the statement of income</b>	<b>47,937</b>	<b>2,278</b>	<b>(26,669)</b>	<b>35</b>	<b>23,581</b>
<b>Cashflows</b>					
Premiums ceded and acquisition cashflows paid	(45,656)	--	--	--	(45,656)
Recoveries from reinsurance	--	--	30,652	--	30,652
<b>Total cash (outflows)/ inflows</b>	<b>(45,656)</b>	<b>--</b>	<b>30,652</b>	<b>--</b>	<b>(15,004)</b>
Reinsurance contracts					
Reinsurance contract assets – closing	(17,279)	(579)	(29,041)	(1,317)	(48,216)
Reinsurance contract liabilities - closing	--	--	--	--	--
<b>Closing balance – net (Unaudited)</b>	<b>(17,279)</b>	<b>(579)</b>	<b>(29,041)</b>	<b>(1,317)</b>	<b>(48,216)</b>



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**9 Insurance and reinsurance contracts (continued)****9.2 Analysis by remaining coverage and incurred claims (continued)****9.2.2 Reinsurance contracts held (continued):**

	As at 31 December 2022 (Unaudited)				
	Asset for remaining coverage		Asset for incurred Claims		Total
	Excluding loss component	Loss component	Estimates of present value of FCF	Risk adjustment for non-financial risk	
Reinsurance contracts					
Reinsurance contract assets - opening	(20,235)	(3,072)	(56,113)	(924)	(80,344)
Reinsurance contract liabilities - opening	--	--	--	--	--
Opening balance – net (Unaudited)	(20,235)	(3,072)	(56,113)	(924)	(80,344)
Reinsurance premium earned	68,873	--	--	--	68,873
Reinsurance service expenses					
Claims recovered and other directly attributable expenses	--	--	(48,430)	(182)	(48,612)
Changes that relate to past service - adjustments to the LIC	--	214	28,761	(246)	28,729
Effect of changes in the risk of reinsurers non-performance	--	--	--	--	--
Reinsurance acquisition cashflows amortisation	--	--	--	--	--
Reinsurance service expenses - net	68,873	214	(19,669)	(428)	48,990
Finance income from reinsurance contracts	--	--	(1,018)	-	(1,018)
Total changes in the statement of profit or loss	68,873	214	(20,687)	(428)	47,972
Cashflows					
Premiums ceded and acquisition cashflows paid	(68,198)	--	--	--	(68,198)
Recoveries from reinsurance	--	--	43,777	--	43,777
Total cash (outflows) / inflows	(68,198)	--	43,777	--	(24,421)
Reinsurance contracts					
Reinsurance contract assets – closing	(19,560)	(2,858)	(33,023)	(1,352)	(56,793)
Reinsurance contract liabilities - closing	--	--	--	--	--
Closing balance – net (Unaudited)	(19,560)	(2,858)	(33,023)	(1,352)	(56,793)

**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 advantages accessible market for the asset or liability

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

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**10 Fair values of financial instruments (continued)****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. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end. There are no transfers between Level 1, Level 2 and Level 3 during the year.

The following table shows the carrying value and fair value of financial assets measured at fair value at 30 September 2023 and 31 December 2022:

			Fair value		
	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Level 1	Level 2	Level 3
30 September 2023 (Unaudited)					
Financial assets measured at fair value					
Equity	14,608	39,703	14,608	--	39,703
Mutual funds	28,800	--	--	28,800	--
Sukuks	5,000	--	--	5,000	--
	48,808	39,703	14,608	33,800	39,703

			Fair value		
	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Level 1	Level 2	Level 3
31 December 2022 (Unaudited) – Restated					
Financial assets measured at fair value					
Equity	14,569	39,703	14,569	--	39,703
Mutual funds	25,298	--	--	25,298	--
Sukuks	5,000	--	--	5,000	--
	44,867	39,703	14,569	30,298	39,703

The fair value of investments in mutual funds and sukuks at level 2 is based on the net asset values and value of similar quoted sukuks communicated by the fund manager. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

There were no transfers between levels during the nine-month period ended 30 September 2023 and the year ended 31 December 2022. Further, there were no changes in the valuation techniques during the period from previous periods.

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**10 Fair values of financial instruments (continued)****10.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the condensed statement of financial position.

**10.1.1 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**10.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. The risks under insurance contracts and the risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2022.

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**11 Related party transactions and balances****11.1 Related party transactions**

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The Company in the normal course of business carries out transactions with its related parties. The transactions with related parties are made on terms agreed with those related parties and the transactions are approved by the Board of Directors.

The significant transactions with related parties and the related amounts are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transaction for the three - month period ended</u>		<u>Transaction for the nine- month period ended</u>		<u>Balance receivable / (payable) as at</u>	
			<u>30 September 2023</u>	<u>30 September 2022</u>	<u>30 September 2023</u>	<u>30 September 2022</u>	<u>30 September 2023</u>	<u>31 December 2022</u>
			<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Insurance operations</b>								
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	--	--	--	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten	<b>18</b>	19	<b>67</b>	87	<b>7</b>	6
		Claims paid	<b>(3)</b>	(19)	<b>(11)</b>	(50)	<b>(8)</b>	(6)
Dabbagh Group	Related to Shareholders	Premiums underwritten	<b>40</b>	(279)	<b>3,360</b>	7,155	<b>2,330</b>	3,810
		Claims paid	<b>(747)</b>	(2,366)	<b>(4,161)</b>	(7,154)	<b>(1,322)</b>	(2,851)
Raghaf Establishment	Related to Shareholders	Premiums underwritten	--	--	<b>85</b>	18	--	--
		Claims paid	<b>(15)</b>	(4)	<b>(16)</b>	(53)	<b>(12)</b>	--
Key Management Personnel		Short-term benefits	<b>1,136</b>	903	<b>3,247</b>	2,709	--	--
		Long-term benefits	<b>48</b>	56	<b>140</b>	161	<b>(171)</b>	(217)
<b>Shareholders' operations</b>								
Board of Directors		Board of Directors remuneration and related expenses	<b>450</b>	450	<b>750</b>	1,350	<b>1,350</b>	1,800



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**12 Zakat****12.1 Zakat Provision**

Movements in the Zakat provision during the period ended 30 September 2023 and year ended 31 December 2022 are as follows:

	<b>30 September 2023 (Unaudited)</b>	<b>31 December 2022 (Unaudited)</b>
Balance as at beginning of the period / year	4,236	2,287
Provided during the period / year	2,700	4,018
Paid during the period / year	(4,050)	(2,069)
Balance as at end of the period / year	<u>2,886</u>	<u>4,236</u>

**12.3 Status of assessments**

The Company filed its Zakat returns for years 31 December 2016 ,2017 ,2018, 2019, 2020, 2021 and 2022 obtained the related Zakat certificates.

The Company has finalized its Zakat and withholding status for the period/years from 31 December 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 2,846,754, at the Dispute Resolution Committee.

ZATCA issued the Zakat and WHT assessment for the years ended 31 December 2016 to 2018 and claimed additional Zakat and withholding liabilities, and delay fine of SR 19,934,125. The Company settled Zakat and WHT and its related delay fine for a total of SR 1,994,738 and objected against the remaining differences. The ZATCA rejected the Company's objection. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD", to assign a hearing session. Accordingly, the hearing session was held on August 29, 2022. However, the committee rejected the objection in full. The company is under the appealing process. On 10 October 2023, ACTVD issued a decision in favour of the Company, and the final resolution by ACTVD will be issued after 30 days from 10 October 2023. The total amount settled by the Company amounting to SR 13.57 million will be refunded by ZATCA.

ZATCA issued the Zakat assessment for the years ended 31 December 2019 and 2020 and claimed additional Zakat liability of SR 1,386,080. The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD". Accordingly, the hearing session was held on 3 October 2022. the committee based on the appeal has accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 923,112. This decision does not apply to the year 2020. The Company escalated the said objection for the year 2019 and 2020 to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDTR"). ACTVDTR has taken a decision on 10 October 2023, in favor of ZATCA with a total due amount of SR 581,816 for 2019 to be paid by the Company, the final resolution by ACTVD will be issued within 30 days from 10 October 2023, the Company will be required to settle the due amount upon receiving the SADAD notification. For year 2022 ACTVDTR has rejected the objected item.

Based on the above, the Company has filed an appeal against the CRTVD's resolution through the ACTVD, but the hearing date has not been scheduled as of yet.

**13 Share capital**

The share capital of the Company is SR 500 million divided into 50 million shares of SR 10 each (31 December 2022: 50 million shares of SR 10 each). The shareholding structure of the Company is as below.

	<b>30 September 2023 (Unaudited)</b>		<b>31 December 2022 (Unaudited)</b>	
	<b>Percentage of Holding</b>	<b>Amount SR '000</b>	<b>Percentage of holding</b>	<b>Amount SR '000</b>
Founding shareholders	12%	60,000	15%	75,000
General public	88%	440,000	85%	425,000
	<u>100%</u>	<u>500,000</u>	<u>100%</u>	<u>500,000</u>

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**14 Insurance revenue and expenses**

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for 2023 is included in following tables. Additional information on amounts recognized in statement of income is included in the insurance contract balances reconciliation .

<b>for the nine-months period ended 30 September 2023 (Unaudited)</b>	<b>Medical</b>	<b>Motor- Comp</b>	<b>Motor- TPL</b>	<b>Property</b>	<b>Engineering</b>	<b>Marine</b>	<b>Accident &amp; liability</b>	<b>Total</b>
Insurance revenue from contracts measured under PAA	32,755	139,407	23,419	17,165	3,930	10,236	7,775	234,687
<b>Insurance revenue – total</b>	<b>32,755</b>	<b>139,407</b>	<b>23,419</b>	<b>17,165</b>	<b>3,930</b>	<b>10,236</b>	<b>7,775</b>	<b>234,687</b>
Incurred claims and other directly attributable expenses	(11,854)	(72,894)	(11,604)	(6,553)	(1,911)	(3,386)	3,689	(104,513)
Changes that relate to past service - adjustments to the LIC	(14,068)	(61,874)	(10,561)	(725)	148	589	3,567	(82,924)
Losses on onerous contracts and reversal of the losses	2,065	16,395	247	--	--	--	--	18,707
Insurance acquisition cash flows amortisation	(2,211)	(21,723)	(4,695)	(2,349)	(489)	(1,021)	(987)	(33,475)
<b>Insurance service expenses – total</b>	<b>(26,068)</b>	<b>(140,096)</b>	<b>(26,613)</b>	<b>(9,627)</b>	<b>(2,252)</b>	<b>(3,818)</b>	<b>6,269</b>	<b>(202,205)</b>
<b>Reinsurance income (expenses) - contracts measured under the PAA</b>								
Claims recovered	4,594	8,966	383	7,887	757	2,807	4,071	29,465
Reinsurance acquisition cash flows amortisation	--	1,621	166	3,148	625	2,141	1,045	8,746
Reinsurance premium ceded	(3,521)	(17,502)	(2,629)	(15,804)	(3,744)	(9,450)	(4,033)	(56,683)
Movement in Loss Recovery Component adjustment to reinsurance	(119)	(2,131)	(28)	--	--	--	--	(2,278)
Changes that relate to past service - adjustments to incurred claims	(3,220)	5,944	3,308	(4,589)	(199)	(2,476)	(4,815)	(6,047)
<b>Net income / (expenses) from reinsurance contracts held - total</b>	<b>(2,266)</b>	<b>(3,102)</b>	<b>1,200</b>	<b>(9,358)</b>	<b>(2,561)</b>	<b>(6,978)</b>	<b>(3,732)</b>	<b>(26,797)</b>
<b>Insurance service result – total</b>	<b>4,421</b>	<b>(3,791)</b>	<b>(1,994)</b>	<b>(1,820)</b>	<b>(883)</b>	<b>(560)</b>	<b>10,312</b>	<b>5,685</b>

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**14 Insurance revenue and expenses (continued)**

	Medical	Motor-Comp	Motor-TPL	Property	Engineering	Marine	Accident & liability	Total
for the nine-months period ended 30 September 2022 (Unaudited)								
Insurance revenue from contracts measured under PAA	39,673	118,981	32,909	21,696	843	8,427	7,588	230,117
Insurance revenue – total	39,673	118,981	32,909	21,696	843	8,427	7,588	230,117
Incurred claims and other directly attributable expenses	(40,647)	(125,440)	(50,677)	(5,656)	(1,460)	(4,205)	4,443	(223,642)
Changes that relate to past service - adjustments to the LIC	(1,075)	(9,736)	18,486	(5,865)	1,366	5,050	3,040	11,266
(Losses) on onerous contracts and reversal of the losses	(2,459)	12,189	1,912	-	-	-	-	11,642
Insurance acquisition cash flows amortisation	(2,483)	(24,464)	(3,196)	(3,102)	(299)	(1,126)	(1,160)	(35,830)
Insurance service expenses – total	(46,664)	(147,451)	(33,475)	(14,623)	(393)	(281)	6,323	(236,564)
Reinsurance income (expenses) - contracts measured under the PAA								
Claims recovered	-	20,560	6,228	795	1,173	10,305	4,372	43,433
Reinsurance acquisition cash flows amortisation	--	1,622	262	4,363	687	2,174	1,436	10,544
Reinsurance premium ceded	(6,708)	(15,862)	(3,429)	(18,978)	(713)	(6,200)	(3,817)	(55,707)
Movement in Loss Recovery Component adjustment to reinsurance	(270)	(1,828)	(955)	--	--	--	--	(3,053)
Changes that relate to past service - adjustments to incurred claims	1,722	(21,484)	6,113	4,464	(1,936)	(12,446)	(4,945)	(28,512)
Net income / (expenses) from reinsurance contracts held – total	(5,256)	(16,992)	8,219	(9,356)	(789)	(6,167)	(2,954)	(33,295)
Insurance service result – total	(12,247)	(45,462)	7,653	(2,283)	(339)	1,979	10,957	(39,742)

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**14 Insurance revenue and expenses (continued)**

for the three-months period ended	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
<b>30 September 2023 (Unaudited)</b>								
Insurance revenue from contracts measured under PAA	11,205	34,874	10,631	5,860	1,391	2,922	2,525	69,408
<b>Insurance revenue – total</b>	<b>11,205</b>	<b>34,874</b>	<b>10,631</b>	<b>5,860</b>	<b>1,391</b>	<b>2,922</b>	<b>2,525</b>	<b>69,408</b>
Incurred claims and other directly attributable expenses	17,452	(14,208)	3,753	4,505	(1,038)	(2,086)	5,663	14,041
Changes that relate to past service - adjustments to the LIC	(28,280)	(12,936)	(11,736)	(4,946)	398	1,115	(5,917)	(62,302)
Losses on onerous contracts and reversal of the losses	(475)	6,458	195	--	--	--	--	6,178
Insurance acquisition cash flows amortisation	(859)	(5,555)	(2,444)	(755)	(163)	(363)	(293)	(10,432)
<b>Insurance service expenses – total</b>	<b>(12,162)</b>	<b>(26,241)</b>	<b>(10,232)</b>	<b>(1,196)</b>	<b>(803)</b>	<b>(1,334)</b>	<b>(547)</b>	<b>(52,515)</b>
<b>Reinsurance income (expenses) - contracts measured under the PAA</b>								
Claims recovered	1,553	3,560	1,433	5,406	545	597	400	13,494
Reinsurance acquisition cash flows amortisation	--	460	40	1,049	216	679	271	2,715
Reinsurance premium ceded	(1,694)	(4,582)	(1,009)	(5,182)	(1,268)	(2,878)	(1,167)	(17,780)
Movement in Loss Recovery Component adjustment to reinsurance	122	(765)	(28)	--	--	--	--	(671)
Changes that relate to past service - adjustments to incurred claims	604	1,638	(1,898)	(5,900)	(315)	(403)	(1,280)	(7,554)
<b>Net income / (expenses) from reinsurance contracts held - total</b>	<b>585</b>	<b>311</b>	<b>(1,462)</b>	<b>(4,627)</b>	<b>(822)</b>	<b>(2,005)</b>	<b>(1,776)</b>	<b>(9,796)</b>
<b>Insurance service result – total</b>	<b>(372)</b>	<b>8,944</b>	<b>(1,063)</b>	<b>37</b>	<b>(234)</b>	<b>(417)</b>	<b>202</b>	<b>7,097</b>

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**14 Insurance revenue and expenses (continued)**

for the three-months period ended	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
30 September 2022 (Unaudited)								
Insurance revenue from contracts measured under PAA	15,180	47,447	6,473	7,307	1,031	1,576	2,528	81,542
<b>Insurance revenue – total</b>	<b>15,180</b>	<b>47,447</b>	<b>6,473</b>	<b>7,307</b>	<b>1,031</b>	<b>1,576</b>	<b>2,528</b>	<b>81,542</b>
Incurred claims and other directly attributable expenses	(12,547)	(48,357)	(34,438)	(2,231)	(234)	(1,227)	2,121	(96,913)
Changes that relate to past service - adjustments to the LIC	(2,303)	10,285	9,876	(5,689)	267	686	5,079	18,201
Losses on onerous contracts and reversal of the losses	(2,786)	4,898	(4,905)	--	--	--	--	(2,793)
Insurance acquisition cash flows amortisation	(1,121)	(8,778)	(1,535)	(1,032)	(182)	(273)	(382)	(13,303)
<b>Insurance service expenses – total</b>	<b>(18,757)</b>	<b>(41,952)</b>	<b>(31,002)</b>	<b>(8,952)</b>	<b>(149)</b>	<b>(814)</b>	<b>6,818</b>	<b>(94,808)</b>
<b>Reinsurance income (expenses) - contracts measured under the PAA</b>								
Claims recovered	--	6,669	551	(1,815)	(504)	296	339	5,536
Reinsurance acquisition cash flows amortisation	--	453	168	1,365	213	244	371	2,814
Reinsurance premium ceded	(5,418)	(5,325)	(1,896)	(6,693)	(945)	(1,383)	(1,382)	(23,042)
Movement in Loss Recovery Component adjustment to reinsurance	139	(783)	282	--	--	--	--	(362)
Changes that relate to past service - adjustments to incurred claims	(61)	(16,123)	11,367	6,392	185	(591)	(283)	886
<b>Net income / (expenses) from reinsurance contracts held - total</b>	<b>(5,340)</b>	<b>(15,109)</b>	<b>10,472</b>	<b>(751)</b>	<b>(1,051)</b>	<b>(1,434)</b>	<b>(955)</b>	<b>(14,168)</b>
<b>Insurance service result – total</b>	<b>(8,917)</b>	<b>(9,614)</b>	<b>(14,057)</b>	<b>(2,396)</b>	<b>(169)</b>	<b>(672)</b>	<b>8,391</b>	<b>(27,434)</b>

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**15 Insurance finance expense - net**

An analysis of the net insurance finance expenses by product line is presented below:

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
<b>For the nine-month period ended 30 September 2023 (Unaudited)</b>								
<b>Finance income / (expense) from insurance contracts issued</b>								
Interest accreted	(2,517)	775	(1,723)	(2,217)	(182)	(475)	(1,275)	(7,614)
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
<b>Finance expense from insurance contracts issued</b>	<b>(2,517)</b>	<b>775</b>	<b>(1,723)</b>	<b>(2,217)</b>	<b>(182)</b>	<b>(475)</b>	<b>(1,275)</b>	<b>(7,614)</b>
<b>Finance income from reinsurance contracts held</b>								
Interest accreted	226	10	227	1,748	120	345	540	3,216
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--	--	--
<b>Finance income from reinsurance contracts held</b>	<b>226</b>	<b>10</b>	<b>227</b>	<b>1,748</b>	<b>120</b>	<b>345</b>	<b>540</b>	<b>3,216</b>
<b>Insurance finance expense – net</b>	<b>(2,291)</b>	<b>785</b>	<b>(1,496)</b>	<b>(469)</b>	<b>(62)</b>	<b>(130)</b>	<b>(735)</b>	<b>(4,398)</b>



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**15 Insurance finance expense – net (continued)**

	<b>Medical</b>	<b>Motor- Comp</b>	<b>Motor- TPL</b>	<b>Property</b>	<b>Engineering</b>	<b>Marine</b>	<b>Accident &amp; liability</b>	<b>Total</b>
For the nine-months period ended 30 September 2022								
Finance income / (expense) from insurance contracts issued								
Interest accreted	(46)	(702)	(163)	77	(11)	15	312	(518)
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from insurance contracts issued	(46)	(702)	(163)	77	(11)	15	312	(518)
Finance income / (expense) from reinsurance contracts held								
Interest accreted	13	14	711	(75)	13	38	(76)	638
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from reinsurance contracts held	13	14	711	(75)	13	38	(76)	638
Insurance finance expense - net	(33)	(688)	548	2	2	53	236	120
For the three-months period ended 30 September 2023								
Finance income / (expense) from insurance contracts issued								
Interest accreted	(227)	(84)	(102)	(170)	(15)	(40)	(80)	(718)
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from insurance contracts issued	(227)	(84)	(102)	(170)	(15)	(40)	(80)	(718)
Finance income / (expense) from reinsurance contracts held								
Interest accreted	6	(5)	23	113	7	20	28	192
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from reinsurance contracts held	6	(5)	23	113	7	20	28	192
Insurance finance expense - net	(221)	(89)	(79)	(57)	(8)	(20)	(52)	(526)

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**15 Insurance finance expense – net (continued)**

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three-months period ended 30 September 2022								
Finance income / (expense) from insurance contracts issued								
Interest accreted	97	(342)	(152)	87	7	62	386	145
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from insurance contracts issued	97	(342)	(152)	87	7	62	386	145
Finance income / (expense) from reinsurance contracts held								
Interest accreted	(15)	(25)	709	(66)	(7)	(62)	(198)	336
Effects of changes in interest rates and other financial assumptions	--	--	--	--	--	--	--	--
Finance income / (expense) from reinsurance contracts held	(15)	(25)	709	(66)	(7)	(62)	(198)	336
Insurance finance expense - net	82	(367)	557	21	--	--	188	481

**16 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.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

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

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

**17 Loss per share**

Basic and diluted earnings per share have been calculated by dividing the loss for the period by weighted average number of shares outstanding during the period.

**18 Operating segments**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess its performance.

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**18 Operating segments (continued)**

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the 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 31 December 2022.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders payable, accrued expenses and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax payable, and accrued income on statutory deposit payable to SAMA. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to CODM under related segments and are monitored on a centralized basis. For management reporting purposes, the Company is organised into business units on the basis of products and services offered by the Company.

The segment information provided to the CODM for the reportable segments for the Company's total assets and liabilities at 30 September 2023 and 31 December 2022, its total revenues, expenses, and net income for the period ended 30 September 2023 and 30 September 2022, are as follows:

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
<b>For the nine-months period ended 30 September 2023 (Unaudited)</b>								
Insurance revenue	32,755	139,407	23,419	17,165	3,930	10,236	7,775	234,687
Insurance service expense	(26,068)	(140,096)	(26,613)	(9,627)	(2,252)	(3,818)	6,269	(202,205)
Net expense from reinsurance contracts held	(2,266)	(3,102)	1,200	(9,358)	(2,561)	(6,978)	(3,732)	(26,797)
<b>Insurance service result</b>	<b>4,421</b>	<b>(3,791)</b>	<b>(1,994)</b>	<b>(1,820)</b>	<b>(883)</b>	<b>(560)</b>	<b>10,312</b>	<b>5,685</b>
Commission income on investment								5,529
Unrealized loss on investments								3,541
<b>Net investment income</b>								<b>9,070</b>
Finance income from insurance contracts issued	(2,517)	775	(1,723)	(2,217)	(182)	(475)	(1,275)	(7,614)
Finance expenses from reinsurance contracts held	226	10	227	1,748	120	345	540	3,216
<b>Net insurance finance expense</b>	<b>(2,291)</b>	<b>785</b>	<b>(1,496)</b>	<b>(469)</b>	<b>(62)</b>	<b>(130)</b>	<b>(735)</b>	<b>(4,398)</b>
Other operating expenses								(9,080)
<b>Net loss attributable to shareholder before Zakat</b>								<b>1,277</b>
<b>Zakat</b>								<b>(2,700)</b>
<b>Net loss attributable to shareholder</b>								<b>(1,423)</b>

**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

**18 Operating segments (continued)**

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the nine- months period ended 30 September 2022 (Unaudited)								
Insurance revenue	39,673	118,981	32,909	21,696	843	8,427	7,588	230,117
Insurance service expense	(46,664)	(147,451)	(33,475)	(14,623)	(393)	(281)	6,323	(236,564)
Net expense from reinsurance contracts held	(5,256)	(16,992)	8,219	(9,356)	(789)	(6,167)	(2,954)	(33,295)
Insurance service result	(12,247)	(45,462)	7,653	(2,283)	(339)	1,979	10,957	(39,742)
Commission income on investment								171
Unrealized gain on investments								(1,913)
Net investment income								(1,742)
Finance expense from insurance contracts issued	(46)	(702)	(163)	77	(11)	15	312	(518)
Finance expenses from reinsurance contracts held	13	14	711	(75)	13	38	(76)	638
Net insurance finance expense	(33)	(688)	548	2	2	53	236	120
Other operating expenses								(13,020)
Net loss attributable to shareholder before Zakat								(54,384)
Zakat								(3,250)
Net loss attributable to shareholder								(57,634)

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**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

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(All amounts in Saudi Riyal thousands unless otherwise stated)

**18 Operating segments (continued)**

	<b>Medical</b>	<b>Motor- Comp</b>	<b>Motor- TPL</b>	<b>Property</b>	<b>Engineering</b>	<b>Marine</b>	<b>Accident &amp; liability</b>	<b>Total</b>
<b>For the three- months period ended 30 September 2023 (Unaudited)</b>								
Insurance revenue	11,205	34,874	10,631	5,860	1,391	2,922	2,525	69,408
Insurance service expense	(12,162)	(26,241)	(10,232)	(1,196)	(803)	(1,334)	(547)	(52,515)
Net expense from reinsurance contracts held	585	311	(1,462)	(4,627)	(822)	(2,005)	(1,776)	(9,796)
<b>Insurance service result</b>	<b>(372)</b>	<b>8,944</b>	<b>(1,063)</b>	<b>37</b>	<b>(234)</b>	<b>(417)</b>	<b>202</b>	<b>7,097</b>
Commission income on investment								1,548
Unrealized loss on investments								(1,261)
<b>Net investment income</b>								<b>287</b>
Finance income from insurance contracts issued	(227)	(84)	(102)	(170)	(15)	(40)	(80)	(718)
Finance expenses from reinsurance contracts held	6	(5)	23	113	7	20	28	192
<b>Net insurance finance expense</b>	<b>(221)</b>	<b>(89)</b>	<b>(79)</b>	<b>(57)</b>	<b>(8)</b>	<b>(20)</b>	<b>(52)</b>	<b>(526)</b>
Other operating expenses								(4,464)
<b>Net loss for the period attributable to shareholders before Zakat</b>								<b>2,394</b>
Zakat								(900)
<b>Net loss for the period attributable to shareholders</b>								<b>1,494</b>

**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

**18 Operating segments (continued)**

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
For the three-months period ended 30 September 2022 (Unaudited)								
Insurance revenue	15,180	47,447	6,473	7,307	1,031	1,576	2,528	81,542
Insurance service expense	(18,757)	(41,952)	(31,002)	(8,952)	(149)	(814)	6,818	(94,808)
Net expense from reinsurance contracts held	(5,340)	(15,109)	10,472	(751)	(1,051)	(1,434)	(955)	(14,168)
Insurance service result	(8,917)	(9,614)	(14,057)	(2,396)	(169)	(672)	8,391	(27,434)
Commission income on investment								(1,088)
Unrealized loss on investments								2,251
Net investment income								1,163
Finance income from insurance contracts issued	97	(342)	(152)	87	7	62	386	145
Finance expenses from reinsurance contracts held	(15)	(25)	709	(66)	(7)	(62)	(198)	336
Net insurance finance expense	82	(367)	557	21	-	-	188	481
Other operating expenses								(4,490)
Net loss for the period attributable to shareholders before Zakat								(30,280)
Zakat								(900)
Net loss for the period attributable to shareholders								(31,180)

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
<b>As at 30 September 2023 (Unaudited)</b>								
<b>Assets</b>								
Reinsurance contract assets	3,833	5,672	5,334	19,668	2,856	4,693	6,160	48,216
Unallocated assets								405,130
<b>Total assets</b>								<b>453,346</b>
<b>Liabilities</b>								
Insurance contract liabilities	31,529	33,297	37,692	14,557	3,019	4,135	10,797	135,026
Unallocated liabilities								24,060
<b>Total liabilities</b>								<b>159,086</b>



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For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

**18 Operating segments (continued)**

	Medical	Motor- Comp	Motor- TPL	Property	Engineering	Marine	Accident & liability	Total
As at 31 December 2022								
<u>Assets</u>								
Reinsurance contract assets	5,298	1,735	12,974	17,808	6,678	3,703	8,597	56,793
Unallocated assets								436,287
Total assets								<u>493,080</u>
<u>Liabilities</u>								
Insurance contract liabilities	34,481	12,086	71,906	10,524	3,332	4,942	12,775	150,046
Unallocated liabilities								47,351
Total liabilities								<u>197,397</u>

**19 Gross Written Premium**

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

**For the nine-months period ended  
30 September 2023  
(Unaudited)**

Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	--	98,817	660	--	--	99,477
Small	685	4,155	2,626	--	--	7,466
Medium	2,281	7,501	6,108	--	--	15,890
Corporate	31,708	26,987	31,140	--	--	89,835
Total	34,674	137,460	40,534	--	--	212,668

**For the nine-months period ended  
30 September 2022  
(Unaudited)**

Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	--	48,741	712	--	--	49,453
Small	1,477	9,504	5,075	--	--	16,056
Medium	3,467	42,300	5,745	--	--	51,512
Corporate	48,202	101,614	37,432	--	--	187,248
Total	53,146	202,159	48,964	--	--	304,269

**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyal thousands unless otherwise stated)

**19 Gross Written Premium (continued)**

For the three-months period ended  
30 September 2023  
(Unaudited)

Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	--	31,168	21	--	--	31,189
Small	47	445	363	--	--	855
Medium	387	1,335	1,533	--	--	3,255
Corporate	22,751	6,936	7,352	--	--	37,039
<b>Total</b>	<b>23,185</b>	<b>39,884</b>	<b>9,269</b>	<b>--</b>	<b>--</b>	<b>72,338</b>

For the three-months period ended  
30 September 2022  
(Unaudited)

Breakdown of GWP	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Retail	--	22,472	34	--	--	22,506
Small	141	2,015	2,062	--	--	4,218
Medium	797	3,470	3,508	--	--	7,775
Corporate	18,830	13,615	5,840	--	--	38,285
<b>Total</b>	<b>19,768</b>	<b>41,572</b>	<b>11,444</b>	<b>--</b>	<b>--</b>	<b>72,784</b>

**20 Net Written Premium**

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

For the nine-months period ended  
30 September 2023  
(Unaudited)

Item	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	34,674	137,460	40,534	--	--	212,668
Reinsurance premium ceded – globally (including excess of loss)	(3,159)	(16,363)	(29,472)	--	--	(48,994)
Reinsurance premium ceded – locally (including excess of loss)	(363)	(516)	(4,399)	--	--	(5,278)
<b>Net written premium – total</b>	<b>31,152</b>	<b>120,581</b>	<b>6,663</b>	<b>--</b>	<b>--</b>	<b>158,396</b>

For the nine-months period ended  
30 September 2022  
(Unaudited)

Item	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	53,146	202,159	48,964	--	--	304,269
Reinsurance premium ceded – globally (including excess of loss)	(6,528)	(23,098)	(36,041)	--	--	(65,667)
Reinsurance premium ceded – locally (including excess of loss)	(180)	(2,842)	(3,853)	--	--	(6,875)
<b>Net written premium – total</b>	<b>46,438</b>	<b>176,219</b>	<b>9,070</b>	<b>--</b>	<b>--</b>	<b>231,727</b>

**GULF GENERAL COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

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(All amounts in Saudi Riyal thousands unless otherwise stated)

**20 Net Written Premium (continued)**

For the three-months period ended 30 September 2023 (Unaudited)						
Item	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	23,185	39,884	9,269	--	--	72,338
Reinsurance premium ceded – globally (including excess of loss)	(1,495)	(4,846)	(7,305)	--	--	(13,646)
Reinsurance premium ceded – locally (including excess of loss)	(199)	(175)	(1,269)	--	--	(1,643)
Net written premium – total	21,491	34,863	695	--	--	57,049

For the three-months period ended 30 September 2022 (Unaudited)						
Item	Medical	Motor	Property & casualty	Protection & Savings		Total
				Individual	Group (Term life)	
Gross written premium	19,768	41,572	11,444	--	--	72,784
Reinsurance premium ceded – globally (including excess of loss)	(2,006)	(5,591)	(8,517)	--	--	(16,114)
Reinsurance premium ceded – locally (including excess of loss)	(60)	(150)	(1,126)	--	--	(1,336)
Net written premium - total	17,702	35,831	1,801	--	--	55,334

**21 SUBSEQUENT EVENTS**

There have been no significant subsequent events since the period-end, that would require disclosures or adjustments in these interim condensed financial statements.

**22 COMMITMENT AND CONTINGENCIES**

a) The Company commitment and contingencies are as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Unaudited)
Letter of guarantee	300	300

b) Zakat and withholding tax have been disclosed in Note 12

c) The Company is not subject to any significant legal proceedings in an ordinary course of business.

**23 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These condensed interim financial statements have been approved by the Board of Directors on 30 October 2023 corresponding to 15 Rabi Al Thani, 1445H .