BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Building a better working world

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

Basis for Opinion

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

Key audit matters

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

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2022, gross outstanding claims and reserves including claims incurred but not reported (IBNR) and premium deficiency reserve amounted to Saudi Riyals 2.51 billion (2021: Saudi Riyals 2.11 billion) as reported in Note 13.2 to the consolidated financial statements. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events. The Group calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences. Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter. *Refer to notes 3(xxi) for the accounting policy adopted by the Group and note 2d (i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of claims. Also, refer to note 13 for the movement in outstanding claims.*	We performed the following procedures • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to the accounting and other records. • Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Group's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following:

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
	i. Evaluated whether the Group's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Group's historical experience, current trends and our own industry knowledge; and iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Other information included in the Group's 2022 Annual Report

The Board of Directors is responsible for the other information. Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditors' report thereon. The Group's annual report is expected to be made available to us after the date of this auditors' report.

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

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

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

Independent Auditors' Report on the Audit of the Consolidated Financial Statements
To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

for PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A. Ali
Certified Public Accountant
License No. 447

for Ernst & Young
Professional Services

Hussain Saleh Asiri
Certified Public Accountant
Licence No. 414

Sha'ban 8, 1444H
February 28, 2023
Jeddah, Kingdom of Saudi Arabia

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ١/٢٥/١١/٣٢٣
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

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CR.4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SR'000	2021 SR'000
ASSETS			
Cash and cash equivalents	5	**1,288,297**	960,758
Premiums receivable – net	6	**2,159,183**	1,761,300
Reinsurers' share of unearned premiums	13.1	**48,265**	27,935
Reinsurers' share of outstanding claims	13.2	**7,221**	7,207
Reinsurers' share of claims incurred but not reported	13.2	**12,602**	7,829
Deferred policy acquisition costs	14	**264,931**	201,042
Investments	7	**3,374,302**	5,703,773
Prepaid expenses and other assets	8	**147,763**	113,254
Term deposits	9	**6,408,489**	3,093,720
Fixtures, furniture and equipment – net	10.1	**63,643**	69,771
Right-of-use assets – net	10.2	**165,947**	112,616
Intangible assets – net	11	**65,413**	67,277
Deferred tax asset	26.b	**40,151**	39,735
Goodwill	4	**98,000**	98,000
Statutory deposit	12	**150,000**	120,000
Accrued income on statutory deposit	12	**16,235**	14,885
TOTAL ASSETS		**14,310,442**	12,399,102
LIABILITIES			
Accrued and other liabilities	18.1	**871,560**	604,774
Lease liability	18.2	**184,682**	125,333
Insurance operations' surplus payable	20	**208,021**	190,060
Reinsurers' balances payable	25	**2,605**	25,397
Unearned premiums	13.1	**5,695,725**	4,709,555
Outstanding claims	13.2	**601,366**	601,168
Claims incurred but not reported	13.2	**1,867,017**	1,413,888
Premium deficiency reserve	13.2	**22,982**	74,602
Claims handling reserve	13.2	**23,470**	21,797
Due to related parties	24	**42,280**	33,723
Provision for end-of-service benefits	21	**154,054**	152,286
Provision for zakat and income tax	26.c	**326,566**	236,610
Accrued income payable to SAMA	12	**16,235**	14,885
TOTAL LIABILITIES		**10,016,563**	8,204,078
EQUITY			
Share capital	27	**1,500,000**	1,200,000
Statutory reserve	28	**1,164,724**	992,210
Share based payments reserve	29	**54,268**	43,500
Shares held under employees share scheme	29	**(78,235)**	(53,356)
Retained earnings		**1,709,186**	1,790,700
Re-measurement reserve for end-of-service benefits		**(7,043)**	(23,638)
Investments fair value reserve – related to shareholders		**(25,054)**	236,633
TOTAL SHAREHOLDERS' EQUITY		**4,317,846**	4,186,049
Investments fair value reserve – related to policyholders		**(23,967)**	8,975
TOTAL EQUITY		**4,293,879**	4,195,024
TOTAL LIABILITIES AND EQUITY		**14,310,442**	12,399,102

Chairman
Loay Hisham Nazer

NADER ASHOOR
Director, Deputy CEO and CFO
Nader Mohammed Saleh Ashoor

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022

	Notes	2022 SR'000	2021 SR'000
REVENUES			
Gross premiums written	13	**13,896,883**	11,382,194
Reinsurance premiums ceded – Local		**(175)**	(5,345)
Reinsurance premiums ceded – International		**(94,107)**	(80,737)
Net premiums written		**13,802,601**	11,296,112
Changes in unearned premiums – net		**(965,840)**	(678,397)
Net premiums earned	13	**12,836,761**	10,617,715
Other revenues		**42,633**	-
Total revenues		**12,879,394**	10,617,715
UNDERWRITING AND OTHER DIRECT COSTS			
Gross claims paid		**(10,565,431)**	(9,114,251)
Reinsurers' share of claims paid		**39,497**	62,718
Net claims paid		**(10,525,934)**	(9,051,533)
Changes in outstanding claims		**(198)**	(154,649)
Changes in claims incurred but not reported		**(453,129)**	(35,594)
Changes in premium deficiency reserve		**51,620**	189,149
Changes in claims handling reserves		**(1,673)**	(1,042)
Reinsurance share of changes in outstanding claims		**14**	5,732
Reinsurance share of changes in claims incurred but not reported		**4,773**	1,368
Net claims incurred		**(10,924,527)**	(9,046,569)
Policy acquisition costs	14	**(578,156)**	(343,427)
Other costs		**(16,378)**	-
Total underwriting and other direct costs		**(11,519,061)**	(9,389,996)
NET UNDERWRITING AND OTHER ACTIVITIES GROSS INCOME		**1,360,333**	1,227,719
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful receivables	6	**(40,885)**	(22,458)
General and administrative expenses	31	**(667,145)**	(598,594)
Selling and marketing expenses	32	**(135,975)**	(115,646)
Investment income – net	33	**552,990**	260,437
Other income – net		**22,866**	37,590
Total other operating (expenses) / income		**(268,149)**	(438,671)
Income before surplus, zakat and income tax		**1,092,184**	789,048
Income attributed to the insurance operations (transferred to surplus payable)	20	**(65,303)**	(58,347)
Income attributed to the shareholders before zakat and income tax		**1,026,881**	730,701
Zakat charge	26	**(72,938)**	(41,136)
Income tax charge	26	**(91,374)**	(63,995)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		**862,569**	625,570
Weighted average number of ordinary outstanding shares (in thousands)	34	**149,316**	149,558
Basic and diluted earnings per share (expressed in SR per share)	34	**5.78**	4.18

Chairman
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NADER ASHOOR
Director, Deputy CEO and CFO
Nader Mohammed Saleh Ashoor

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Tal Hisham Nazer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 SR'000	2021 SR'000
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		**862,569**	625,570
Other comprehensive income			
Items that will not be reclassified to consolidated statement of income in subsequent years:			
Actuarial gains on end-of-service benefits	21	**16,595**	7,535
Items that are or may be reclassified to consolidated statement of income in subsequent years:			
Net changes in fair value of available-for-sale investments:			
- related to shareholders		**(261,687)**	61,785
- related to policyholders		**(32,942)**	(15,083)
		(294,629)	46,702
Total other comprehensive (loss) / income		**(278,034)**	54,237
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**584,535**	679,807

NADER ASHOOR

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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Related to shareholders' operations									
2022	**Share capital SR'000**	**Statutory reserve SR'000**	**Share based payments reserve SR'000**	**Shares held under employees share scheme SR'000**	**Retained earnings SR'000**	**Re-measurement reserve end-of-service benefits SR'000**	**Investments fair value reserve - related to shareholders' operations SR'000**	**Total shareholders' operations equity SR'000**	**Investments fair value reserve - related to policyholders' operations SR'000**	**Total equity SR'000**
Balance at 1 January 2022	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024
Total comprehensive income for the year										
Net income for the year attributed to the shareholders after zakat and income tax	-	-	-	-	862,569	-	-	862,569	-	862,569
Other comprehensive income / (loss)	-	-	-	-	-	16,595	(261,687)	(245,092)	(32,942)	(278,034)
Total comprehensive income for the year	-	-	-	-	862,569	16,595	(261,687)	617,477	(32,942)	584,535
Transfer to statutory reserves (note 28)	-	172,514	-	-	(172,514)	-	-	-	-	-
Provision for employees share scheme	-	-	22,391	-	-	-	-	22,391	-	22,391
Delivery of shares under employees share scheme	-	-	(11,623)	11,623	-	-	-	-	-	-
Purchase of shares under employees share scheme	-	-	-	(36,502)	-	-	-	(36,502)	-	(36,502)
Bonus shares issued (note 27)	300,000	-	-	-	(300,000)	-	-	-	-	-
Dividends (note 37)	-	-	-	-	(540,000)	-	-	(540,000)	-	(540,000)
Income tax refundable from non-Saudi shareholders (note 27)	-	-	-	-	68,431	-	-	68,431	-	68,431
Balance at 31 December 2022	1,500,000	1,164,724	54,268	(78,235)	1,709,186	(7,043)	(25,054)	4,317,846	(23,967)	4,293,879

Chairman
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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022

	Related to shareholders' operations									
2021	**Share capital SR'000**	**Statutory reserve SR'000**	**Share based payments reserve SR'000**	**Shares held under employees share scheme SR'000**	**Retained earnings SR'000**	**Re-measurement reserve end-of-service benefits SR'000**	**Investments fair value reserve - related to shareholders' operations SR'000**	**Total shareholders' operations equity SR'000**	**Investments fair value reserve - related to policyholders' operations SR'000**	**Total equity SR'000**
Balance at 1 January 2021	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853
Total comprehensive income for the year										
Net income for the year attributed to the shareholders after zakat and income tax	-	-	-	-	625,570	-	-	625,570	-	625,570
Other comprehensive income / (loss)	-	-	-	-	-	7,535	61,785	69,320	(15,083)	54,237
Total comprehensive income for the year	-	-	-	-	625,570	7,535	61,785	694,890	(15,083)	679,807
Transfer to statutory reserves (note 28)	-	125,114	-	-	(125,114)	-	-	-	-	-
Provision for employees share scheme	-	-	20,386	-	-	-	-	20,386	-	20,386
Delivery of shares under employees share scheme	-	-	(9,686)	9,686	-	-	-	-	-	-
Purchase of shares under employees share scheme	-	-	-	(14,263)	-	-	-	(14,263)	-	(14,263)
Dividends (note 37)	-	-	-	-	(408,000)	-	-	(408,000)	-	(408,000)
Income tax refundable from non-Saudi shareholders (note 27)	-	-	-	-	14,241	-	-	14,241	-	14,241
Balance at 31 December 2021	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	**2022 SR'000**	2021 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders before zakat and income tax		**1,026,881**	730,701
Adjustments for non-cash items:			
Net income attributed to the insurance operations	20	**65,303**	58,347
Depreciation of fixtures, furniture and equipment	10	**15,734**	15,216
Amortisation of right-of-use assets	10	**21,019**	15,939
Amortisation of intangible assets	11	**13,105**	14,446
Loss on disposal of fixtures and furniture and equipment		**238**	2,521
Loss on disposal of intangible assets		**326**	-
Provision for employees share scheme		**22,391**	20,386
Allowance for doubtful receivables	6	**40,885**	22,458
Commission income on term deposits	9	**(140,529)**	(58,357)
Other investment income, net		**(412,461)**	(202,080)
Provision for end-of-service benefits	21	**25,799**	27,495
Finance cost		**6,287**	5,834
Changes in operating assets and liabilities:			
Premiums receivable		**(438,768)**	(463,715)
Reinsurers' share of unearned premiums		**(20,330)**	(7,827)
Reinsurers' share of outstanding claims		**(14)**	(5,732)
Reinsurers' share of claims incurred but not reported		**(4,773)**	(1,368)
Deferred policy acquisition costs		**(63,889)**	(132,828)
Prepaid expenses and other assets		**(34,439)**	(28,168)
Accrued and other liabilities		**266,786**	64,324
Reinsurers' balances payable		**(22,792)**	20,524
Unearned premiums		**986,170**	686,224
Outstanding claims		**198**	154,649
Claims incurred but not reported		**453,129**	35,594
Premium deficiency reserve		**(51,620)**	(189,149)
Claims handling reserve		**1,673**	1,042
Due to related parties		**76,988**	(60,557)
		1,833,297	725,919
End-of-service benefits paid	21	**(7,436)**	(7,686)
Surplus paid to policyholders	20	**(47,342)**	(68,678)
Zakat and income tax paid	26	**(74,842)**	(187,514)
Net cash generated from operating activities		**1,703,677**	462,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	9	**(6,211,723)**	(2,213,328)
Proceeds from maturity of term deposits	9	**3,037,483**	1,974,512
Additions to investments	7	**(8,865,817)**	(15,166,118)
Disposals of investments	7	**11,187,974**	15,541,136
Proceeds from commission and dividends		**125,146**	199,437
Increase in statutory deposit	12	**(30,000)**	-
Additions to fixtures, furniture and equipment	10	**(9,902)**	(9,115)
Proceeds from disposal of fixtures, furniture and equipment		**58**	-
Additions to intangible assets	11	**(11,567)**	(19,765)
Net cash (used in) / generated from investing activities		**(778,348)**	306,759
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	38	**(540,000)**	(408,000)
Purchase of shares held under employees share scheme		**(36,502)**	(14,263)
Lease liability paid	18	**(21,288)**	(19,030)
Net cash used in financing activities		**(597,790)**	(441,293)
Net change in cash and cash equivalents		**327,539**	327,507
Cash and cash equivalents at beginning of the year		**960,758**	633,251
Cash and cash equivalents at end of the year	5	**1,288,297**	960,758
Non-cash transactions			
Recognition of Right-of-use assets/ lease liability		**74,350**	2,929
Actuarial gains on end-of-service-benefits	21	**16,595**	7,535
Income tax refundable from non-Saudi shareholders		**68,431**	14,241

Chairman
Loay Hisham Nazer

NADER ASHOOR
Director, Deputy CEO and CFO
Nader Mohammed Saleh Ashoor

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Bupa Arabia for Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce's resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khalediyah District,
Prince Saud Al Faisal Street,
Front of Saudi Airlines Cargo Building,
P.O. Box 23807, Jeddah 21436,
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by the Saudi Central Bank ("SAMA"), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The Company has the following subsidiary:

Name of the subsidiary	**Registration number**	**Country of incorporation**	**Ownership**	**Principal business activity**
Bupa Arabia For Third Party Administration	4030605585	Saudi Arabia	100%	Claims management services

These consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group"). The subsidiary has commenced operations in July 2022 and prior to that subsidiary was dormant.

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by Saudi Organisation for Chartered and Professional Accountants ("SOCPA") ("IFRS as endorsed by SOCPA").

The consolidated financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through statement of income (FVSI), available-for-sale investments, liabilities for cash-settled-share based payments and defined benefit obligations [Employees' end of service benefits ("EOSB")] recorded at the present value. The Group's consolidated statement of financial position is presented in order of liquidity. Except for available-for-sale investments, fixtures, furniture and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, deferred tax, accrued income on statutory deposit, provision for end-of-service benefits and accrued income payable to SAMA, all other assets and liabilities are of short-term nature.

2. BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

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 attributable to either operation are recorded in the respective accounts. Note 36 to these consolidated financial statements provides the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows of the insurance operations and shareholders operations, separately.

During 2018, SAMA issued illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the financial statements in compliance with IFRS as endorsed by SOCPA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

(b) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Group's functional currency. All financial information presented in SR has been rounded off to the nearest thousand except where otherwise indicated.

(c) Fiscal year

The Group follows a fiscal year ending on 31 December.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future years. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the accounting judgments and estimates that are critical in the preparation of these consolidated financial statements:

i) The ultimate liability arising from claims made under insurance contracts

Judgment by management is required in the estimation of amounts due to medical providers and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions derived from several factors involving varying degrees of judgment and uncertainty as well as actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Group estimates its claims based on its previous experience of its insurance portfolio. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and actual settlement is included in provisions in the following year in the statement of income. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

A range of methods such as the Chain Ladder Method, the Bornhuetter-Ferguson Method and the Expected Loss Ratio Method are used by the actuaries to determine these provisions. Also, the Actuaries have used a segmentation approach which includes analyzing the costs per member per year for the medical line of business. Underlying these methods are also a number of explicit or implicit assumptions relating to the expected settlement amount and the settlement patterns of the claims.

2. BASIS OF PREPARATION (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

i) The ultimate liability arising from claims made under insurance contracts (continued)

Estimation of premium deficiency for medical insurance is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for active written policies. To arrive at the estimate of the expected loss ratio, the Group’s actuarial team, and also the independent actuary, consider the claims and premiums relationship which is expected to apply on a month-to-month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

ii) Impairment of receivables

A provision for impairment of premium and reinsurance receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtors will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

iii) Deferred acquisition costs

Acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of income over the period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment in the statement of income.

iv) Useful lives of fixtures, furniture and equipment and right-of-use assets

The Group's management determines the estimated useful lives of its fixtures, furniture, and equipment and right-of-use assets for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews residual values and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

v) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

vi) Impairment of available for sale investments

The Group exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or a prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share prices. In addition, the Group considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational & financing cash flows.

The Group considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, which is recognised in the statement of income as an impairment charge on investments. A prolonged decline represents a decline below cost that persists for 1 year or longer irrespective of the amount and is recognised in the statement of income accordingly as an impairment charge on investments. The previously recognised impairment loss in respect of equity investments cannot be reversed through the statement of income. The Group reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

2. BASIS OF PREPARATION (continued)

(d) Critical accounting judgments, estimates and assumptions (continued)

vii) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

viii) Impairment of Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated in note 4. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the financial statements of the subsidiary, as stated in note 1. The financial statements of the subsidiary is prepared for the same reporting period as that of the Company, using consistent accounting policies. Adjustments have been made to the consolidated financial statements of the subsidiary, where necessary, to align with the Company's consolidated financial statements.

Subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

When the Group has less than a majority of the voting or similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity;
- Rights arising from other contractual arrangements; and
- The Group's current and potential voting rights granted by equity instruments such as shares.

2. BASIS OF PREPARATION (continued)

(e) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more elements of control. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
Amendments to IFRS 3	Reference to the Conceptual Framework

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

b) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the new standards in preparing these consolidated financial statements.

Standard/ Interpretation	**Description**	**Effective from periods beginning on or after the following date**
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Group expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

Structure and Status of the Implementation Project

The Group has significantly completed its implementation process which is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Group's reporting systems. the Group is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Group has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

Significant Judgements and Accounting Policy Choices

The Group is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e. 1 January 2023:

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

<u>Unit of account and measurement model</u>
The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. The PMI business is further divided as Corporate and Retail & Others based on customer size.

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

The Group will be adopting the PAA measurement model for the measurement of LRC for the whole private medical insurance (PMI) business. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

<u>Initial and subsequent measurement</u>
For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

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

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

There are no investment components within insurance contracts issued by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Significant Judgements and Accounting Policy Choices (continued)

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

The Group has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Group has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Group will regularly monitor the time it takes in settling claims from the date they are incurred.

Insurance acquisition costs
Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Group allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

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.

Onerous contract
The Group 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.

Disclosures
The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Disclosures (continued)

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

Transition Impact

The Group estimates that, on adoption of IFRS 17, the impact before Zakat and Tax is a reduction in the Group's total equity by SR 20.3 million to SR 41.5 million (i.e. 0.5% to 1% of total equity) at 1 January 2022.

Impact on Equity

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 17 on 1 January 2022**
Changes in measurement of insurance contract liabilities	Decrease by SR 21 million to SR 42.2 million
Changes in measurement of reinsurance contract assets	Increase by SR 0.61 million to SR 0.75 million
Total Impact	**Decrease by SR 20.3 million to SR 41.5 million**

Impact on Insurance Contract Liabilities

Drivers of Changes	**Impact on liabilities on transition to IFRS 17 on 1 January 2022**
Risk adjustment	Increase by SR 17.5 million to SR 21.3 million
Loss component	Decrease by SR 2.3 million to Increase by SR 13.9 million
Allowance for all possible outcomes	Increase by SR 8.9 million to SR 10.8 million
Other drivers	Decrease by SR 3.1 million to SR 3.8 million
Total Impact	**Increase SR 21 million to SR 42.2 million**

Impact on Reinsurance Contract Asset

Drivers of Changes	**Impact on assets on transition to IFRS 17 on 1 January 2022**
Reinsurance risk adjustment	Increase by SR 0.61 million to SR 0.75 million

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023.

The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 17 on the Group could vary from this estimate. The Group continues to refine its models, methodologies and systems as well as monitoring regulatory developments ahead of the IFRS 17 adoption on 1 January 2023.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

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, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Group will apply IFRS 9 for the first time on 1 January 2023.

Structure and status of the Implementation project

The Group has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by a steering committee. The preparation for IFRS 9 has required some changes to the Group's reporting systems. the Group is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Group has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

Significant Judgements and Accounting Policy Choices

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

<u>Financial assets at amortized cost</u>
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

<u>Financial assets at FVOCI</u>
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

For an equity investment that is not held for trading, the Group may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

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

The Company expects that majority of the term-deposits to be classified as financial assets at amortised cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Financial assets – Impairment

Overview of Expected Credit Loss ('ECL') principles

The Group will recognize loss allowances for ECL on the following financial instruments that are not measured at fair value:
- Financial assets that are debt instruments
- Deposits and Bank balances
- Other receivables balances

No impairment loss will be recognized on equity instruments. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Impairment (continued)

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

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

The Group will consider debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is typically determined by using a matrix which uses historical credit loss experience of the Group.

Staging of financial assets

Investments
The Group will categorize its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

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

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

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

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

ECL methodology and measurement
ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

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

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

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

Probability of Default (‘PD’)
The probability of default is an estimate of the likelihood of default over a given time horizon.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Impairment (continued)

Loss Given Default (‘LGD’)
Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default (‘EAD’)
The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate
While estimating the ECL, the Group will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group will analyze the relationship between key economic trends with the estimate of PD.

Presentation of allowance for ECL in the Balance sheet
Loss allowances for ECL are presented in the Balance sheet as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the Balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

Financial liabilities

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 recognized 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 OCI;
- The remaining amount of the change in the fair value will be presented in the statement of income.

Transition
The Group estimates that, on adoption of IFRS 9, the impact of these changes before zakat and tax is a reduction in the Group’s total equity by SR 0.75 million up to SR 0.91 million (i.e. 0.018% to 0.022% of total equity) at 1 January 2022. Reclassification of certain financial assets will result in the transfer of respective fair value reserves from OCI to retained earnings with no impact on total equity. The transfer as at 1 January 2022 is expected to be an increase/decrease in retained earnings/ OCI fair value reserve of SR 25.4 million up to SR 31.1 million, respectively.

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 9 on 1 January 2022**
Impairment of financial assets	Decrease by SR 0.75 million up to SR 0.91 million

The estimated decrease in total equity includes the impact of the increase in credit impairment provisions compared to those applied at December 31, 2021 under IAS 39. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 on the Group could vary from this estimate. The Group continues to refine models, methodologies and systems and monitor regulatory developments in advance of IFRS 9 adoption on 1 January 2023.

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023. The Company is not expecting material changes in the classification and measurement of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies used in preparing these consolidated financial statements are set out below:

i) Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, premiums receivable, investments, term deposits, statutory deposit and other receivables. Financial liabilities consist of insurance operations surplus payable, amounts due to related parties, and certain other liabilities.

Date of recognition
Regular way sale and purchase of financial instruments is recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the market place.

Measurement of financial instruments
All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for FVSI and AFS investments which are carried at fair value.

ii) Cash and cash equivalents

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

iii) Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. An allowance for uncollectible amount is established when there is an objective evidence that the Group will not be able to collect all amounts due according to their original terms. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited in the statement of income.

iv) Policy acquisition costs

Commission and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred acquisition costs are subsequently amortised over the terms of the insurance contract as premiums are earned and reported in the statement of income. Changes in the contractual useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Investments

(a) Financial assets at fair value through statement of income
Investments are classified as at fair value through statement of income if they are classified as held-for-trading or are designated as such on initial recognition. The investments in sukuks, equities and mutual funds are held for trading and accordingly are classified as FVSI. Directly attributable transaction costs are recognised in the statement of income as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income.

(b) Available for sale investments
Available for sale investments are non-derivative investments that are designated as available for sale or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities where fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognised through the statement of comprehensive income until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognised in equity are reclassified to statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

(c) Held to maturity investments
Held to maturity investments are investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Investments are initially recognised at fair value including direct and incremental transaction cost. Subsequent to initial measurement, these are measured at amortised cost less impairment losses, if any.

vi) Term deposits

Term deposits, with original maturity of more than three months, are initially recognised in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

vii) Fixtures, furniture and equipment

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

	Years
Office furniture and fixtures	5 to 20
Computer equipment	2.5 to 7
Motor vehicles	4
Leasehold improvements (civil, construction work and fixtures)	15 years or lease term

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

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

viii) Intangible assets

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

	Years
IT development and software	3 to 7

ix) Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

x) Liability adequacy test

At each reporting date the Group assesses annually whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is created.

xi) Accounts payable and accruals

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xii) Provisions

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

xiii) Employee-end-of-service benefits (EOSB)

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

xiv) Share based payments and shares held under employees share scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is the date at which the entity and an employee agree to a share based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity as a reserve for a share based payment, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Group reverses the expense relating to such awards previously recognised in the statement of income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The value of the shares repurchased, including costs associated with the acquisition, is recognized as a deduction from equity. The Company retains shares under employees share scheme, which represents treasury shares.

xv) Impairment of financial assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the statement of income. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(b) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

For impaired available for sale securities any subsequent increase in fair value of these impaired securities is recognised in the statement of other comprehensive income and recorded in the investment fair value reserve unless this increase represents a decrease in the impairment loss that can be objectively related to an event occurring after the impairment loss was recognised in the statement of income. In such an event, the reversal of the impairment loss is recognised as a gain in the statement of income. Impairment relating to investments in available-for-sale equity instruments are not reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income.

For assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

xvii) De-recognition

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

xviii) Revenue recognition

Premiums earned
The Group only issues short-term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis based on 365th method. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xviii) Revenue recognition (continued)

Investment and commission income
Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on term deposits is recognised using the effective interest method in the statement of income.

Other revenues
Other revenues relate to revenue from claim management services. The revenue is recorded in accordance with the requirement of IFRS 15 "Revenue from Contracts with Customers". Revenue from providing services is recognised in the accounting period in which the services are rendered.

xix) Reinsurance premiums (ceded)

Reinsurance premiums ceded are recognised as a reduction in net written premium when payable. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

xx) Claims

Claims, comprising amounts payable to medical providers and other third parties are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at each reporting date.

The Group estimates its claims based on previous experience. In addition, a provision based on the management's judgment and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at each reporting date. Any difference between the provisions at the statement of financial position date and actual settlement is charged to the consolidated statement of income in the following year.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

xxi) Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

xxii) Reinsurance contracts held

In order to optimise financial exposure from large claims, the Group enters into reinsurance agreements with local and internationally reputable reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contracts. These amounts, if any, are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Group. Once the claim is paid, the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / (to) reinsurers.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

xxiii) Expenses

Selling and marketing expenses are those which specifically relate to sales promotion, sales agents, advertisements, regulatory levies, trademark fees and fulfillment costs. All other expenses are classified as general and administration expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxiv) Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); and
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

xxv) Leases

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

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

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

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

	Years
Right-of-use assets	5 to 20

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

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

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

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

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

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

xxvi) Zakat and income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvi) Zakat and income tax (continued)

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

Income tax
The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

xxvii) Foreign currencies

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

xxviii) Offsetting

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

xxix) Cash dividends to shareholders

The Group recognises a liability for cash distributions to shareholders of the Group when the distribution is authorised and is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders and SAMA. A corresponding amount is recognised in equity.

xxx) Statutory reserve

The Group allocates 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital, as mandated by relevant regulations. The reserve is not available for distribution.

4. GOODWILL

On 31 December 2008, the Group entered into an agreement with Bupa Middle East Limited E.C. (the "Seller"), a related party, pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by SAMA and resulted in goodwill of SR 98 million. The entire amount was paid in the previous years, to the Seller, after obtaining the required regulatory approvals.

The Group's management annually carry out impairment test in respect of the above-mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2022. The recoverable amount of operations has been determined based on value in use. The three key assumptions used in the test are the discount rate, estimated future cash flows from the business and EBITDA growth rate as follows:

- An average discount rate of 12% (2021: 12%) was used to discount future cash flows.
- EBTIDA growth rate of 3% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.
- A change in discount rate by +/- 3% with other variables held constant would not result in impairment of goodwill.
- A change in growth rate by +/- 3% basis point with other variables held constant would not result in impairment of goodwill.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2022		
	Insurance operations	**Shareholders' operations**	**Total**
		SR'000	
Bank balances	**649,270**	**639,027**	**1,288,297**

	2021		
	Insurance operations	Shareholders' operations	Total
		SR'000	
Bank balances	430,300	30,067	460,367
Term deposits	500,391	-	500,391
	930,691	30,067	960,758

The amount payable to / receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the year ended 31 December 2022, the insurance operations transferred cash of SR 61 million to the shareholders' operations (31 December 2021: SR 435.3 million). The above deposits earned interest income nil during the year ended 31 December 2022 (2021: 0.95% to 4.30% per annum).

6. PREMIUMS RECEIVABLE - NET

Receivable amounts are due from the following:

	2022	2021
	SR'000	SR'000
Policyholders	**1,304,499**	1,401,823
Brokers	**1,099,050**	590,833
	2,403,549	1,992,656
Provision for doubtful receivables	**(244,366)**	(231,356)
Premiums receivable – net	**2,159,183**	1,761,300

6. PREMIUMS RECEIVABLE – NET (continued)

Movement in provision for doubtful debts during the year was as follows:

	2022	2021
	SR'000	SR'000
Balance at the beginning of the year	**231,356**	222,524
Provision made during the year	**40,885**	22,458
Write-offs during the year	**(27,875)**	(13,626)
Balance at end of the year	**244,366**	231,356

The aging analysis of premiums receivable - net arising from insurance contracts is as follows:

	2022					
	Not past due	**Up to three months**	**Above three and up to six months**	**Above six and up to twelve months**	**Above twelve months**	
	SR'000					
Policyholders	**821,982**	**210,393**	**46,566**	**22,022**	**-**	**1,100,963**
Brokers	**768,648**	**237,513**	**40,262**	**11,797**	**-**	**1,058,220**
	1,590,630	**447,906**	**86,828**	**33,819**	**-**	**2,159,183**

	2021					
	Not past due	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	
	SR'000					
Policyholders	829,825	262,290	63,756	54,340	-	1,210,211
Brokers	395,183	126,790	22,924	6,192	-	551,089
	1,225,008	389,080	86,680	60,532	-	1,761,300

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

The Group only enters into insurance and reinsurance contracts with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

The five largest customers account for 25% (31 December 2021: 13%) of the premiums receivable as at 31 December 2022.

7. INVESTMENTS

Investments are classified as follows:

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SR'000			
Held as FVSI	**97,713**	**140,995**	**238,708**	1,808,199	1,449,736	3,257,935
Available-for-sale	**935,388**	**1,678,138**	**2,613,526**	691,230	1,423,358	2,114,588
Held to maturity	**250,000**	**272,068**	**522,068**	100,000	231,250	331,250
	1,283,101	**2,091,201**	**3,374,302**	2,599,429	3,104,344	5,703,773

(i) Investments held as FVSI comprise of the following:

	2022				
	Insurance operations		**Shareholders' operations**		
	Domestic	**International**	**Domestic**	**International**	**Total**
			SR'000		
Sukuks	**11,014**	**-**	**36,044**	**-**	**47,058**
Funds	**80,017**	**6,682**	**9,906**	**95,045**	**191,650**
	91,031	**6,682**	**45,950**	**95,045**	**238,708**

	2021				
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	Total
			SR'000		
Sukuks	18,014	-	55,045	-	73,059
Funds	1,782,875	7,310	1,372,761	21,930	3,184,876
	1,800,889	7,310	1,427,806	21,930	3,257,935

(ii) Available-for-sale investments comprise of the following:

	2022				
	Insurance operations		**Shareholders' operations**		
	Domestic	**International**	**Domestic**	**International**	**Total**
			SR'000		
Sukuks	**753,201**	**147,356**	**1,267,859**	**110,387**	**2,278,803**
Funds	**-**	**34,831**	**153,036**	**34,572**	**222,439**
Equities	**-**	**-**	**52,634**	**16,408**	**69,042**
Investments in discretionary portfolios	**-**	**-**	**43,242**	**-**	**43,242**
	753,201	**182,187**	**1,516,771**	**161,367**	**2,613,526**

7. INVESTMENTS (continued)

(iii) Available-for-sale investments comprise of the following (continued):

	2021				
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	Total
			SR'000		
Sukuks	470,858	183,613	793,312	105,726	1,553,509
Funds	-	36,759	127,646	17,287	181,692
Equities	-	-	316,826	12,372	329,198
Investments in discretionary portfolios	-	-	50,189	-	50,189
	470,858	220,372	1,287,973	135,385	2,114,588

(iv) Held to maturity investments comprise of the following:

	2022				
	Insurance operations		**Shareholders' operations**		
	Domestic	**International**	**Domestic**	**International**	**Total**
			SR'000		
Sukuks	**250,000**	**-**	**200,497**	**71,571**	**522,068**
	250,000	**-**	**200,497**	**71,571**	**522,068**

	2021				
	Insurance operations		Shareholders' operations		
	Domestic	International	Domestic	International	Total
			SR'000		
Sukuks	100,000	-	156,250	75,000	331,250
	100,000	-	156,250	75,000	331,250

The movements in the investments balance are as follows:

i. Held as FVSI

	2022		
	Insurance operations	**Shareholders' operations**	**Total**
		SR'000	
Balance at the beginning of the year	**1,808,199**	**1,449,736**	**3,257,935**
Purchases during the year	**3,838,031**	**3,575,000**	**7,413,031**
Disposals during the year	**(5,554,834)**	**(4,884,720)**	**(10,439,554)**
Unrealised gains during the year, net	**6,317**	**979**	**7,296**
	97,713	**140,995**	**238,708**

7. INVESTMENTS (continued)

i. Held as FVSI (continued)

	2021		
	Insurance operations	Shareholders' operations	Total
	SR'000		
Balance at the beginning of the year	2,869,628	825,133	3,694,761
Purchases during the year	7,880,130	6,741,192	14,621,322
Disposals during the year	(8,944,090)	(6,116,701)	(15,060,791)
Unrealised gains during the year, net	2,531	112	2,643
	1,808,199	1,449,736	3,257,935

ii. Available-for-sale investments

	2022		
	Insurance operations	**Shareholders' operations**	**Total**
	SR'000		
Balance at the beginning of the year	**691,230**	**1,423,358**	**2,114,588**
Purchases during the year	**494,440**	**764,091**	**1,258,531**
Disposals during the year	**(222,235)**	**(522,748)**	**(744,983)**
Unrealised losses during the year, net	**(28,047)**	**13,437**	**(14,610)**
	935,388	**1,678,138**	**2,613,526**

	2021		
	Insurance operations	Shareholders' operations	Total
	SR'000		
Balance at the beginning of the year	698,553	1,504,882	2,203,435
Purchases during the year	152,630	192,166	344,796
Disposals during the year	(144,870)	(335,475)	(480,345)
Unrealised (losses)/ gains during the year, net	(15,083)	61,785	46,702
	691,230	1,423,358	2,114,588

iii. Held to maturity investments

	2022		
	Insurance operations	**Shareholders' operations**	**Total**
	SR'000		
Balance at the beginning of the year	**100,000**	**231,250**	**331,250**
Purchases during the year	**150,000**	**44,255**	**194,255**
Maturities during the year	**-**	**(3,437)**	**(3,437)**
	250,000	**272,068**	**522,068**

7. INVESTMENTS (continued)

iii. Held to maturity investments (continued)

	2021		
	Insurance operations	Shareholders' operations	Total
		SR'000	
Balance at the beginning of the year	-	131,250	131,250
Purchases during the year	100,000	100,000	200,000
	100,000	231,250	331,250

8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SR'000			
Prepayments	**56,515**	**-**	**56,515**	54,034	-	54,034
Fee receivable	**-**	**52,940**	**52,940**	-	-	-
Accrued income	**11,563**	**14,759**	**26,322**	7,635	13,256	20,891
Other receivables	**11,542**	**444**	**11,986**	38,329	-	38,329
	79,620	**68,143**	**147,763**	99,998	13,256	113,254

9. TERM DEPOSITS

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity ranging from more than three months to more than one year (2021: three months to more than one year) and yield financial income at rates ranging from 1.10% to 5.85% per annum (2021: 0.95% to 4.30% per annum). The movement in term deposits during the year ended 31 December 2022 is as follows:

	2022		
	Insurance operations	**Shareholders' operations**	**Total**
		SR'000	
Balance at beginning of the year	**2,007,922**	**1,085,798**	**3,093,720**
Placed during the year	**4,795,854**	**1,415,869**	**6,211,723**
Matured during the year	**(2,153,669)**	**(883,814)**	**(3,037,483)**
Commission income earned during the year	**102,993**	**37,536**	**140,529**
	4,753,100	**1,655,389**	**6,408,489**

	2021		
	Insurance Operations	Shareholders' operations	Total
		SR'000	
Balance at beginning of the year	1,645,292	1,151,255	2,796,547
Placed during the year	1,839,000	374,328	2,213,328
Matured during the year	(1,507,552)	(466,960)	(1,974,512)
Commission income earned during the year	31,182	27,175	58,357
	2,007,922	1,085,798	3,093,720

10. FIXTURES, FURNITURE AND EQUIPMENT & RIGHT OF USE ASSETS

10.1 FIXTURES, FURNITURE AND EQUIPMENT

	Office, furniture, and fixtures	**Computer equipment**	**Motor vehicles**	**Leasehold improvements**	**Capital work in progress**	**Total**
	2022 SR'000					
Cost:						
At 1 January 2022	**87,050**	**67,380**	**404**	**39,435**	**2,472**	**196,741**
Additions during the year	**-**	**11**	**-**	**-**	**9,891**	**9,902**
Transferred during the year	**805**	**3,072**	**-**	**1,465**	**(5,342)**	**-**
Disposals during the year	**(317)**	**(1,407)**	**-**	**-**	**-**	**(1,724)**
At 31 December 2022	**87,538**	**69,056**	**404**	**40,900**	**7,021**	**204,919**
Accumulated depreciation:						
At 1 January 2022	**(68,221)**	**(46,490)**	**(262)**	**(11,997)**	**-**	**(126,970)**
Charge for the year	**(4,905)**	**(6,806)**	**(101)**	**(3,922)**	**-**	**(15,734)**
Disposal	**202**	**1,226**	**-**	**-**	**-**	**1,428**
At 31 December 2022	**(72,924)**	**(52,070)**	**(363)**	**(15,919)**	**-**	**(141,276)**
Net book value:						
At 31 December 2022	**14,614**	**16,986**	**41**	**24,981**	**7,021**	**63,643**

	Office, furniture, and fixtures	Computer Equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
	2021 SR'000					
Cost:						
At 1 January 2021	86,232	60,005	404	42,572	2,764	191,977
Additions during the year	-	52	-	-	9,063	9,115
Transferred during the year	862	7,661	-	832	(9,355)	-
Disposals during the year	(44)	(338)	-	(3,969)	-	(4,351)
At 31 December 2021	87,050	67,380	404	39,435	2,472	196,741
Accumulated depreciation:						
At 1 January 2021	(63,166)	(40,835)	(161)	(9,422)	-	(113,584)
Charge for the year	(5,062)	(5,985)	(101)	(4,068)	-	(15,216)
Disposal	7	330	-	1,493	-	1,830
At 31 December 2021	(68,221)	(46,490)	(262)	(11,997)	-	(126,970)
Net book value:						
At 31 December 2021	18,829	20,890	142	27,438	2,472	69,771

10.2 RIGHT-OF-USE ASSETS

The movement of right-of-use assets, which mainly include buildings are as follows:

	2022 SR'000	2021 SR'000
At 1 January	**112,616**	125,626
Additions during the year	**74,350**	2,929
Amortisation during the year	**(21,019)**	(15,939)
At 31 December	**165,947**	112,616

11. INTANGIBLE ASSETS

	Software	**Capital work in progress**	**Total**
		2022 SR'000	
Cost:			
At 1 January 2022	**152,540**	**25,247**	**177,787**
Additions during the year	**81**	**11,486**	**11,567**
Transfers during the year	**26,914**	**(26,914)**	**-**
Disposals during the year	**(326)**	**-**	**(326)**
At 31 December 2022	**179,209**	**9,819**	**189,028**
Accumulated amortisation:			
At 1 January 2022	**(110,510)**	**-**	**(110,510)**
Charge for the year	**(13,105)**	**-**	**(13,105)**
At 31 December 2022	**(123,615)**	**-**	**(123,615)**
Net book value:			
At 31 December 2022	**55,594**	**9,819**	**65,413**

	Software	Capital work in progress	Total
		2021 SR'000	
Cost:			
At 1 January 2021	139,538	18,484	158,022
Additions during the year	100	19,665	19,765
Transfers during the year	12,902	(12,902)	-
At 31 December 2021	152,540	25,247	177,787
Accumulated amortisation:			
At 1 January 2021	(96,064)	-	(96,064)
Charge for the year	(14,446)	-	(14,446)
At 31 December 2021	(110,510)	-	(110,510)
Net book value:			
At 31 December 2021	42,030	25,247	67,277

12. STATUTORY DEPOSIT

As required by SAMA Insurance Regulations, the Group deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 150 million (2021: SR 120 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 16.2 million (2021: SR 14.9 million) and this deposit cannot be withdrawn without approval from SAMA.

13. TECHNICAL RESERVES

13.1 Movement in unearned premiums

Movements in unearned premiums are as follows:

	2022		
	Gross	**Reinsurance**	**Net**
		SR'000	
Balance at beginning of the year	**4,709,555**	**(27,935)**	**4,681,620**
Premium written/(ceded) during the year	**13,896,883**	**(94,282)**	**13,802,601**
Premium earned during the year	**(12,910,713)**	**73,952**	**(12,836,761)**
	5,695,725	**(48,265)**	**5,647,460**

	2021		
	Gross	Reinsurance	Net
		SR'000	
Balance at beginning of the year	4,023,331	(20,108)	4,003,223
Premium written/(ceded) during the year	11,382,194	(86,082)	11,296,112
Premium earned during the year	(10,695,970)	78,255	(10,617,715)
	4,709,555	(27,935)	4,681,620

13.2 Net outstanding claims and reserves

Net outstanding claims and other technical reserves consist of the following**:**

	2022 SR'000	2021 SR'000
Outstanding claims	**601,366**	601,168
Claims incurred but not reported	**1,867,017**	1,413,888
Premium deficiency reserve	**22,982**	74,602
Claims handling reserve	**23,470**	21,797
	2,514,835	2,111,455
Less:		
Reinsurers' share of outstanding claims	**(7,221)**	(7,207)
Reinsurers' share of claims incurred but not reported	**(12,602)**	(7,829)
	(19,823)	(15,036)
Net outstanding claims and reserve	**2,495,012**	2,096,419

13.2 (a) Impact of Government Healthcare Providers

The Council of Health Insurance ("CHI") issued Circular 895, dated 17/12/2020, regarding the enforcement of Article 11 of the Cooperative Health Insurance Law, requesting medical insurance companies, effective 1/1/2021, to include all accredited government healthcare providers in their medical network while complying with the approved financial compensation structure. The circular is expected to have a material impact on future medical claims considering the mandated prices and protocols regulating the relationship between government health facilities and insurance companies. Given the many uncertainties surrounding the actual rollout and application of Circular 895, management continues monitoring the situation closely, while reassessing and updating its estimates and judgments on a regular basis.

13. TECHNICAL RESERVES (continued)

13.2 (b) COVID-19 Expenses

CHI issued Circular 965, dated 14/3/2022, stating that insurance companies will be covering all expenses resulting from suspected and confirmed cases with COVID-19. The coverage will include all polices currently in force which results in deficiency in Unearned Premium Reserve ("UPR") and hence the Group will hold a Premium Deficiency Reserve ("PDR") balance of SR 23 million (2021: SR 75 million), as at the date of these consolidated financial statements. The PDR calculation follows SAMA Circular 173 dated 16/01/2019, which requires insurance companies to hold a PDR in case the relevant UPR is insufficient to cover related projected claims and expenses.

14. DEFERRED POLICY ACQUISITION COSTS

	2022 **SR'000**	2021 SR'000
Balance at beginning of the year	**201,042**	68,214
Deferred during the year	**642,045**	476,255
Amortisation for the year	**(578,156)**	(343,427)
	264,931	201,042

15. CLAIMS DEVELOPMENT TABLE

The following table reflects the estimated ultimate claim cost, including claims notified and incurred but not reported for each successive treatment year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of the claims. The Group aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier treatment years. In order to maintain adequate reserves, the Group transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

15. CLAIMS DEVELOPMENT TABLE (continued)

Treatment year – Gross outstanding claims	2019 and prior	2020	2021	2022	Total
SR'000					
Estimate of ultimate claims cost:					
At the end of treatment year	36,431,182	8,742,056	9,775,177	11,384,093	**66,332,508**
One year later	36,430,144	8,048,412	9,355,664	-	**53,834,220**
Two years later	36,436,043	8,092,267	-	-	**44,528,310**
Three years later	36,398,894	-	-	-	**36,398,894**
Current estimate of ultimate claims	36,398,894	8,092,267	9,355,664	11,384,093	**65,230,918**
Ultimate payments to date	36,388,260	8,078,148	9,288,011	9,008,116	**62,762,535**
Liability recognized in the consolidated statement of financial position	10,634	14,119	67,653	2,375,977	**2,468,383**
Premium deficiency reserve					**22,982**
Claims handling reserve					**23,470**
Balance at 31 December					**2,514,835**

Treatment year – Net outstanding claims	2019 and prior	2020	2021	2022	Total
SR'000					
Estimate of ultimate claims cost:					
At the end of treatment year	34,659,972	8,693,491	9,708,417	11,323,659	**64,385,539**
One year later	34,657,153	7,997,356	9,295,165	-	**51,949,674**
Two years later	34,659,094	8,045,584	-	-	**42,704,678**
Three years later	34,625,655	-	-	-	**34,625,655**
Current estimate of ultimate claims	34,625,655	8,045,584	9,295,165	11,323,659	**63,290,063**
Ultimate payments to date	34,615,022	8,031,478	9,227,799	8,967,204	**60,841,503**
Liability recognized in the consolidated statement of financial position	10,633	14,106	67,366	2,356,455	**2,448,560**
Premium deficiency reserve					**22,982**
Claims handling reserve					**23,470**
Balance at 31 December					**2,495,012**

16. FIDUCIARY ASSETS

During the year ended 31 December 2018, after obtaining SAMA's approval, the Group entered into a Third Party Administration agreement (TPA) with a customer under which the Group facilitates healthcare services to the employees of the customer with specific terms and conditions. The agreement is effective from 1 March 2018.

In order to fulfil the commitment relating to this agreement, the Group has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Group acts as an agent, the relevant bank balance and outstanding claims at the reporting date, are excluded from the consolidated statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 259 million as at 31 December 2022 (2021: SR 260 million).

17. COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

i) The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as at 31 December 2022.
ii) As of 31 December 2022, total letters of guarantee issued by banks amounted to SR 140 million (2021: SR 128 million).
iii) Refer to Note 26 for zakat and tax related matters.

18. ACCRUED AND OTHER LIABILITIES AND LEASE LIABILITY

18.1 Accrued and other liabilities comprise of the following:

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SR'000			
VAT payable	**116,160**	**-**	**116,160**	85,516	-	85,516
VAT payable to providers	**356,059**	**-**	**356,059**	170,708	-	170,708
Accrued expenses	**192,763**	**11,486**	**204,249**	200,249	6,863	207,112
Advances from policyholders	**86,052**	**-**	**86,052**	80,578	-	80,578
Other liabilities	**109,040**	**-**	**109,040**	60,860	-	60,860
	860,074	**11,486**	**871,560**	597,911	6,863	604,774

18.2 Lease liability

As of 31 December 2022, lease liability amounted SR 184.7 million (2021: SR 125.3 million). Below is the movement during the year:

	2022 **SR'000**	2021 SR'000
Balance at the beginning of the year	**125,333**	135,600
Finance cost	**6,287**	5,834
Additions during the year	**74,350**	2,929
Lease payments	**(21,288)**	(19,030)
	184,682	125,333

19. TRADEMARK FEES

During 2010, the Group entered into an agreement with a related party for obtaining a license to use the trademark (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trademark fee is payable at different rates linked to the results of the Group, subject to a maximum of threshold. Accordingly, a sum of SR 32.1 million (2021: SR 26.6 million) payable to a related party has been accrued for during the year (see notes 24 and 32).

20. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2022 **SR'000**	2021 SR'000
Balance at the beginning of the year	**190,060**	200,391
Income attributable to insurance operations during the year	**65,303**	58,347
Surplus paid to policyholders during the year	**(47,342)**	(68,678)
Net surplus payable to policyholders	**208,021**	190,060

As per SAMA's Surplus Distribution Policy, policyholders are eligible to 10% of the net surplus from the insurance operations, provided that certain conditions are met.

21. EMPLOYEES' END OF SERVICE BENEFITS

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

21.1 Movement of end-of-service benefits

	2022 SR'000	2021 SR'000
Balance at the beginning of the year	**152,286**	140,012
Consolidated statement of income		
Current service costs	**21,940**	24,251
Finance costs	**3,859**	3,244
Consolidated statement of comprehensive income		
Actuarial gains	**(16,595)**	(7,535)
Cash movement		
Benefits paid during the year	**(7,436)**	(7,686)
Balance at the end of the year	**154,054**	152,286

21.2 Principal actuarial assumptions

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

	2022	2021
Valuation discount rate	**4.70%**	2.65%
Expected rate of increase in salary level across different age bands	**4.5%**	4.5%
Employee turnover rate	**13%**	13%
Mortality rate	**0.06%**	0.06%

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

	2022 SR'000	2021 SR'000
Valuation discount rate		
- Increase by 0.5%	**6,130**	6,883
- Decrease by 0.5%	**(6,568)**	(7,423)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**(13,554)**	(15,046)
- Decrease by 1%	**12,027**	13,216
Mortality rate		
- Increase by 50%	**(35)**	(66)
- Decrease by 50%	**35**	66
Employee turnover		
- Increase by 20%	**1,430**	3,322
- Decrease by 20%	**(1,358)**	(3,427)

21. EMPLOYEES' END OF SERVICE BENEFITS

The average duration of the employees' end-of-service benefits at the end of the reporting period is 9.4 years (2021: 10.6 years). The total expected payments of the liability, undiscounted, amount to SR 215 million (2021: SR 180 million) out of which SR 20.3 million (2021: SR 14.9 million) are expected to be paid within the next 12 months.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

a) Determination of fair value and fair value hierarchy

The Group 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.

b) Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. There were no transfers in between levels during the years ended 31 December 2022 and 2021.

	Fair value				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying value**
			SR'000		
2022					
Financial assets measured at fair value					
- Investments held as FVSI	**-**	**238,708**	**-**	**238,708**	**238,708**
- Available-for-sale investments	**1,787,420**	**775,126**	**50,980**	**2,613,526**	**2,613,526**
	1,787,420	**1,013,834**	**50,980**	**2,852,234**	**2,852,234**

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b) Carrying amounts and fair value (continued)

	Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
			SR'000		
2021					
Financial assets measured at fair value					
- Investments held as FVSI	-	3,257,935	-	3,257,935	3,257,935
- Available for sale investments	1,421,562	670,903	22,123	2,114,588	2,114,588
	1,421,562	3,928,838	22,123	5,372,523	5,372,523

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2022 and 31 December 2021, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Floating rate sukuks and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable

23. OPERATING SEGMENTS

The Group only issues short-term insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Group are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent members of large corporations, and all others are considered as non-major. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions. No inter-segment transactions occurred during the year.

Operating segments (i.e. major and non-major) do not include shareholders' operations of the Group.

Segment results do not include investment and commission income, other income, selling and marketing expenses, and general and administration expenses.

Segment assets do not include cash and cash equivalents, fixtures, furniture and equipment and right-of-use assets, term deposits, investments, prepaid expenses and other assets. Segment liabilities do not include reinsurance balance payable, accrued and other liabilities, share based payment and policyholders' share of surplus from insurance operations.

23. OPERATING SEGMENTS (continued)

Consistent with the Group's internal reporting, operating segments have been approved by the management in respect of the Group's activities, assets and liabilities as stated below:

	31 December 2022				
	Insurance operations				
Operating segments	**Major customers**	**Non-major customers**	**Total - Insurance operations**	**Shareholders' operations***	**Total**
		SR'000		**SR'000**	**SR'000**
ASSETS					
Premiums receivable – net	**1,296,415**	**862,768**	**2,159,183**	**-**	**2,159,183**
Reinsurers' share of unearned premiums	**30,363**	**17,902**	**48,265**	**-**	**48,265**
Reinsurers' share of outstanding claims	**3,404**	**3,817**	**7,221**	**-**	**7,221**
Reinsurers' share of claims incurred but not reported	**5,768**	**6,834**	**12,602**	**-**	**12,602**
Deferred policy acquisition costs	**137,946**	**126,985**	**264,931**	**-**	**264,931**
Unallocated assets			**6,765,091**	**5,053,149**	**11,818,240**
Total assets			**9,257,293**	**5,053,149**	**14,310,442**
LIABILITIES					
Unearned premiums	**3,583,077**	**2,112,648**	**5,695,725**	**-**	**5,695,725**
Outstanding claims	**426,479**	**174,887**	**601,366**	**-**	**601,366**
Claims incurred but not reported	**1,320,278**	**546,739**	**1,867,017**	**-**	**1,867,017**
Premium deficiency reserve	**14,458**	**8,524**	**22,982**	**-**	**22,982**
Claims handling reserve	**16,621**	**6,849**	**23,470**	**-**	**23,470**
Unallocated liabilities			**1,070,700**	**735,303**	**1,806,003**
Total liabilities			**9,281,260**	**735,303**	**10,016,563**

	31 December 2021				
	Insurance operations				
Operating segments	**Major customers**	**Non-major customers**	**Total - Insurance operations**	**Shareholders' operations***	**Total**
		SR'000		**SR'000**	**SR'000**
ASSETS					
Premiums receivable – net	1,034,713	726,587	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	15,353	12,582	27,935	-	27,935
Reinsurers' share of outstanding claims	2,560	4,647	7,207	-	7,207
Reinsurers' share of claims incurred but not reported	2,623	5,206	7,829	-	7,829
Deferred policy acquisition costs	114,645	86,397	201,042	-	201,042
Unallocated assets			5,638,040	4,755,749	10,393,789
Total assets			7,643,353	4,755,749	12,399,102
LIABILITIES					
Unearned premiums	3,031,460	1,678,095	4,709,555	-	4,709,555
Outstanding claims	425,245	175,923	601,168	-	601,168
Claims incurred but not reported	1,000,536	413,352	1,413,888	-	1,413,888
Premium deficiency reserve	40,999	33,603	74,602	-	74,602
Claims handling reserve	15,421	6,376	21,797	-	21,797
Unallocated liabilities			813,368	569,700	1,383,068
Total liabilities			7,634,378	569,700	8,204,078

*Shareholders' operations includes, amongst others, balances of the subsidiary of the Group, net of eliminations.

23. OPERATING SEGMENTS (continued)

Operating segments	2022 Major customers	Non-major customers	Total
		SR'000	
REVENUES			
Gross premiums written	**9,210,802**	**4,686,081**	**13,896,883**
Reinsurance premiums ceded – Local	**(111)**	**(64)**	**(175)**
Reinsurance premiums ceded – International	**(52,376)**	**(41,731)**	**(94,107)**
Net premiums written	**9,158,315**	**4,644,286**	**13,802,601**
Changes in unearned premiums – net	**(536,607)**	**(429,233)**	**(965,840)**
Net premiums earned	**8,621,708**	**4,215,053**	**12,836,761**
Other revenues (unallocated)	**-**	**-**	**42,633**
Total revenues	**8,621,708**	**4,215,053**	**12,879,394**
UNDERWRITING AND OTHER DIRECT COST			
Gross claims paid	**(7,338,807)**	**(3,226,624)**	**(10,565,431)**
Reinsurers' share of claims paid	**27,458**	**12,039**	**39,497**
Net claims paid	**(7,311,349)**	**(3,214,585)**	**(10,525,934)**
Changes in outstanding claims	**(1,234)**	**1,036**	**(198)**
Changes in claims incurred but not reported	**(319,742)**	**(133,387)**	**(453,129)**
Changes in premium deficiency reserve	**26,541**	**25,079**	**51,620**
Changes in claims handling reserves	**(1,200)**	**(473)**	**(1,673)**
Reinsurance share of changes in outstanding claims	**844**	**(830)**	**14**
Reinsurance share of changes in claims incurred but not reported	**3,145**	**1,628**	**4,773**
Net claims incurred	**(7,602,995)**	**(3,321,532)**	**(10,924,527)**
Policy acquisition costs	**(310,407)**	**(267,749)**	**(578,156)**
Other costs (unallocated)	**-**	**-**	**(16,378)**
Total underwriting and other direct costs	**(7,913,402)**	**(3,589,281)**	**(11,519,061)**
NET UNDERWRITING AND OTHER ACTIVITIES GROSS INCOME	**708,306**	**625,772**	**1,360,333**
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			**(40,885)**
Unallocated income			**575,856**
Unallocated expenses			**(803,120)**
Total other operating (expenses)/income			**(268,149)**
Income before surplus, zakat & income tax			**1,092,184**
Income attributed to the insurance operations (transfer to surplus payable)			**(65,303)**
Income attributed to the shareholders before zakat and income tax			**1,026,881**
Zakat charge			**(72,938)**
Income tax charge			**(91,374)**
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			**862,569**

Gross Written Premium details	**2022 SR'000**
Corporates	**10,252,338**
Medium Enterprises	**2,543,347**
Small Enterprises	**941,027**
Micro Enterprises	**118,231**
Individuals	**41,940**
Total Gross Premium Written	**13,896,883**

23. OPERATING SEGMENTS (continued)

	2021		
Operating segments	Major customers	Non-major customers	Total
		SR'000	
REVENUES			
Gross premiums written	7,428,502	3,953,692	11,382,194
Reinsurance premiums ceded – Local	(3,286)	(2,059)	(5,345)
Reinsurance premiums ceded – International	(49,629)	(31,108)	(80,737)
Net premiums written	7,375,587	3,920,525	11,296,112
Changes in unearned premiums – net	(231,768)	(446,629)	(678,397)
Net premiums earned	7,143,819	3,473,896	10,617,715
Other revenues (unallocated)	-	-	-
Total revenues	7,143,819	3,473,896	10,617,715
UNDERWRITING AND OTHER DIRECT COSTS			
Gross claims paid	(6,461,243)	(2,653,008)	(9,114,251)
Reinsurers' share of claims paid	44,474	18,244	62,718
Net claims paid	(6,416,769)	(2,634,764)	(9,051,533)
Changes in outstanding claims	(105,576)	(49,073)	(154,649)
Changes in claims incurred but not reported	(12,447)	(23,147)	(35,594)
Changes in premium deficiency reserve	148,018	41,131	189,149
Changes in claims handling reserves	(552)	(490)	(1,042)
Reinsurance share of changes in outstanding claims	2,070	3,662	5,732
Reinsurance share of changes in claims incurred but not reported	664	704	1,368
Net claims incurred	(6,384,592)	(2,661,977)	(9,046,569)
Policy acquisition costs	(206,056)	(137,371)	(343,427)
Other costs (unallocated)	-	-	-
Total underwriting and other direct costs	(6,590,648)	(2,799,348)	(9,389,996)
NET UNDERWRITING AND OTHER ACTIVITIES GROSS INCOME	553,171	674,548	1,227,719
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(22,458)
Unallocated income			298,027
Unallocated expenses			(714,240)
Total other operating (expenses)/income			(438,671)
Income before surplus, zakat & income tax			789,048
Income attributed to the insurance operations (transfer to surplus payable)			(58,347)
Income attributed to the shareholders before zakat and income tax			730,701
Zakat charge			(41,136)
Income tax charge			(63,995)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			625,570

Gross Written Premium details	2021 SR'000
Corporates	8,458,117
Medium Enterprises	2,019,303
Small Enterprises	803,492
Micro Enterprises	78,920
Individuals	22,362
Total Gross Premium Written	11,382,194

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board members and key management personnel of the Group, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are conducted on an arm's length basis and transactions approved by the Group's management, or where required and applicable the Group's Board of Directors. The following are the details of the major related party transactions during the year and their related balances:

Related party	**Nature of transaction**	**Amount of transactions during the year income / (expense)**		**Receivable/(payable) balance as at**	
		2022 SR'000	2021 SR'000	**2022 SR'000**	2021 SR'000
Balances included in Premium Receivables					
Shareholders and affiliates	Insurance premium written	**231,255**	215,821	**607**	2,726
Balances included in Outstanding Claims					
Shareholders and affiliates	Claims paid	**(154,876)**	(196,241)	**(17,725)**	(17,289)
Shareholders	Medical costs charged by providers	**(254,989)**	(179,055)	**(41,925)**	(19,696)
				(59,650)	(36,985)
Balances included in Due to Related Parties					
Shareholders	Reinsurance Premium ceded	**(93,406)**	(59,358)	**(45,596)**	(19,672)
Shareholders	Expenses charged to/ (from) a related party-net	**2,068**	1,575	**2,200**	872
Shareholders	Tax equalization – net	**68,431**	14,241	**33,913**	12,369
Shareholders	Board and committee member remuneration fees	**(915)**	(833)	**(703)**	(681)
Bupa Middle East Holdings Two W.L.L. (Affiliated company)	Trademark fee (note19)	**(32,094)**	(26,611)	**(32,094)**	(26,611)
				(42,280)	(33,723)

a. Compensation to key management personnel:

	2022 SR'000	2021 SR'000
Short-term benefits	**29,245**	26,979
Long-term benefits	**1,455**	1,095
Share based payment transactions	**14,222**	16,386
	44,922	44,460

Short-term benefits include salaries, allowances, annual bonuses and incentives whilst long-term benefits include employees' end of service benefits and the shares-based payments.

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

b. Board of Directors' remuneration and related expenses

	2022 SR'000	2021 SR'000
Board of Directors' remuneration	**3,700**	3,648
Board attendance fees	**518**	460
Other board and sub-committees' related expenses	**1,514**	1,358
	5,732	5,466

25. REINSURERS' BALANCE PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 2.6 million (2021: SR 25.4 million), for the excess of loss (XOL) reinsurance contract.

26. ZAKAT AND INCOME TAX

a) Zakat

The Zakat payable by the Group has been calculated in accordance with Zakat regulations in Saudi Arabia.

Zakat is charged at the higher of net adjusted income or Zakat base as required by the Zakat, Tax and Custom Authority "ZATCA". The key elements of zakat base primarily include equity components, net income and liabilities adjusted for zakat purpose. Adjusted net income has been computed on a pro-rata basis taking into consideration certain items have been adjusted in accordance with the Saudi zakat and income tax law.

The Zakat charge relating to the Saudi shareholders consists of:

	2022 SR'000	2021 SR'000
Provision for zakat	**72,938**	65,333
Adjustment for prior years	**-**	(24,197)
	72,938	41,136

The movements in the Zakat provision during the year were as follows:

	2022 SR'000	2021 SR'000
Balance at beginning of the year	**202,820**	285,448
Opening balance assumed through consolidation	**70**	-
Charge for the year	**72,938**	41,136
Payments made during the year	**(11,245)**	(123,764)
	264,583	202,820

26. ZAKAT AND INCOME TAX (continued)

b) Income tax

	2022	2021
	SR'000	SR'000
Current tax charge	**91,790**	65,789
Deferred tax income	**(416)**	(1,794)
	91,374	63,995

The reconciliation of deferred tax is as follows:

	2022	2021
	SR'000	SR'000
Opening deferred tax asset	**39,735**	37,941
Deferred tax income	**416**	1,794
	40,151	39,735

The deferred tax asset has arisen on temporary differences between the accounting base and tax base. The effective deferred tax rate is 20% subject to the foreign shareholding ownership. These temporary differences are mainly provisions and differences of depreciation and amortization between accounting and tax base.

The movement in the income tax provision during the year was as follows:

	2022	2021
	SR'000	SR'000
Balance at beginning of the year	**33,790**	31,751
Charge for the year	**91,790**	65,789
Payments made during the year	**(63,597)**	(63,750)
	61,983	33,790

c) Provision for zakat and income tax

	2022	2021
	SR'000	SR'000
Zakat payable (note (a) above)	**264,583**	202,820
Income tax payable (note (b) above)	**61,983**	33,790
	326,566	236,610

26. ZAKAT AND INCOME TAX (continued)

d) Status of assessment

Bupa Arabia For Cooperative Insurance Company
The Company has filed its zakat and income tax returns for the financial years up to and including the year 2021 with ZATCA.

The Company has finalized its corporate income tax, zakat and withholding tax with ZATCA for the fiscal periods 2008 through 2016 and 2018. For the year 2017 assessment, totaling SR 35.8 million in additional zakat and tax, the Company has escalated the matter to the General Secretariat of Tax Committees ("GSTC") with the Appeal Committee for Tax Violations and Disputes and their review is awaited. The management believes that these assessments are appropriately provisioned.

Bupa Arabia For Third Party Administration
The Company has filed its zakat and income tax returns for the financial years up to and including the year 2021 with ZATCA. The due zakat and tax under these years and these returns are still under ZATCA's review.

27. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is SR 1,500 million at 31 December 2022 (31 December 2021: SR 1,200 million) consisting of 150 million shares (31 December 2021: 120 million shares) of SR 10 each.

During the year, there has been 25% increase in the share capital of the Company by way of issuance of bonus shares. The increase in share capital was funded from the retained earnings account by transferring an amount of SR 300 million which resulted in an increase in authorized, issued and paid up share capital to SR 1,500 million from SR 1,200 million. The number of issued shares has increased from 120 million shares to 150 million shares. The Company received all required approvals from the authorities and the shareholders approved this capital increase, as well as the related changes in the By-laws of the Group, in the Extraordinary General Assembly meeting held on 22 December 2022. The new bonus shares capital was issued through Tadawul on 25 December 2022.

Subsequent to year end, the final formalities relating to updating the commercial registration and By-laws of the Company have been completed.

The shareholding structure of the Group as at 31 December 2022, was reflected as below:

	2022		2021	
	Holding Percentage	**SR'000**	Holding Percentage	SR'000
Major shareholders	**50.6%**	**758,850**	52.3%	628,066
General Public	**49.4%**	**741,150**	47.7%	571,934
	100%	**1,500,000**	100%	1,200,000

The major shareholders of the Group along with their holding percentages are as below:

	2022		2021	
	Holding Percentage	**SR'000**	Holding Percentage	SR'000
Bupa Investment Oversees Limited	**43.3%**	**648,750**	43.3%	519,000
Nazer Group Company Limited	**7.3%**	**110,100**	9.0%	109,066
	50.6%	**758,850**	52.3%	628,066

27. SHARE CAPITAL (continued)

The total shareholders' equity as of 31 December 2022 for Saudi shareholders is SR 2,451 million (31 December 2021: SR 2,394 million) and foreign shareholder is SR 1,867 million (31 December 2021: SR 1,792 million) after incorporating their respective shareholding percentage and impact of zakat, income tax, reimbursement and other adjustments. The above shareholders' equity is arrived after allocating the net income after zakat of SR 509.8 million (31 December 2021: SR 373.5 million) and net income after income tax of SR 352.8 million (31 December 2021: SR 252 million) to Saudi and foreign shareholders, respectively. Retained earnings as of 31 December 2022 for Saudi shareholders is SR 970 million (2021: SR 1,035 million) and foreign shareholder is SR 739 million (2021: SR 756 million). Statutory reserve as of 31 December 2022 for Saudi shareholders is SR 661 million (2021: SR 563 million) and foreign shareholder is SR 504 million (2021: SR 429 million).

28. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carries out this transfer on an annual basis at 31 December. As at 31 December 2022, SR 1,165 million (31 December 2021: SR 992.2 million) has been set aside as a statutory reserve, representing 77.6% (31 December 2021: 82.7%) of the paid-up share capital.

29. SHARE BASED PAYMENTS

The Group established a share-based compensation scheme for its key management that entitles them to Bupa Arabia shares subject to successfully meeting certain service and performance conditions. Under the share-based compensation scheme, the Group manages various plans. Significant features of these plans are as follows:

Maturity dates	Between March 2023 and March 2025
Total number of shares granted on the grant date	738,838 (2021: 497,769)
Vesting period	3-4 years (2021: same)
Method of settlement	Equity (2021: same)
Fair value per share on grant date	Average SR 102.91 (2021: average SR 105.86)

30. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the shareholders. Objectives are set by the Board of Directors of the Group to maintain healthy capital ratios to support its business objectives and maximise shareholders' value. The Group 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 the risk characteristics of the Group's activities. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue shares. Total capital amounted to SR 4,318 million (31 December 2021: SR 4,186 million).

In the opinion of the Board of Directors, the Group has fully complied with the regulatory capital requirements during the reported financial year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

31. GENERAL AND ADMINISTRATIVE EXPENSES

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SR'000			
Employees' costs	**464,407**	**-**	**464,407**	418,898	-	418,898
Rents, IT and maintenance costs	**77,216**	**-**	**77,216**	60,171	-	60,171
Depreciation and amortisation	**49,858**	**-**	**49,858**	45,601	-	45,601
Legal and professional fees	**40,066**	**-**	**40,066**	35,299	-	35,299
Communication expenses	**12,458**	**-**	**12,458**	12,696	-	12,696
Board expenses	**-**	**5,732**	**5,732**	-	5,466	5,466
Travelling and other expenses	**7,914**	**9,494**	**17,408**	13,339	7,124	20,463
	651,919	**15,226**	**667,145**	586,004	12,590	598,594

32. SELLING AND MARKETING EXPENSES

	2022 SR'000	2021 SR'000
Employees' costs	**57,245**	51,508
Marketing expenses	**33,084**	32,255
Trade mark fee (see note 19)	**32,094**	26,611
Others	**13,552**	5,272
	135,975	115,646

33. INVESTMENT INCOME - NET

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SR'000			
Commission income on held to maturity investments	**103,241**	**63,804**	**167,045**	35,355	35,040	70,395
Commission and dividend income on available for sale investments	**22,360**	**40,367**	**62,727**	22,923	81,606	104,529
Commission income on FVSI investments – net	**9,073**	**32,869**	**41,942**	15,853	8,182	24,035
Realised gains/(losses) on investment - net	**11,150**	**262,830**	**273,980**	8,182	50,654	58,836
Unrealised (losses) / gains on FVSI investments - net	**6,317**	**979**	**7,296**	2,530	112	2,642
	152,141	**400,849**	**552,990**	84,843	175,594	260,437

34. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing 'net income attributed to the shareholders after zakat and income tax' amounting to SR 862,569 thousand (2021: SR 625,570 thousand) for the year by the weighted average number of ordinary shares issued and outstanding shares amounting to 150 million shares (2021: 150 million shares) and treasury shares amounting to 684 thousand (2021: 442 thousand shares) at year end. The weighted average number of ordinary shares issued and outstanding at year end 31 December 2021 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

35. RISK MANAGEMENT

a) Insurance risk

The Group provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance risk within the Group is the claims reserve risk resulting from fluctuations in the estimated ultimate claims. The Group seeks to manage this through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Group also have an external actuary to perform quarterly independent reviews of the reserves adequacy.

The Group has a reinsurance arrangement to reduce its exposure through transfer of risk. The reinsurance agreement is a quota share arrangement for certain group of contracts.

i) The ultimate liability arising from claims made under insurance contracts
Claims reserves which are key components of the Group's ultimate liability are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR") and claims handling provisions. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors.

The Group has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates. The Group continually review the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with consolidated financial statements to validate reserve adequacy.

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

iii) Process used to decide on assumptions
The pricing team follows the Group's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Assumptions used in determining claims reserves are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Group may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the outstanding claims which are received but not yet settled with the providers. For the case of outstanding claims, the Group uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate IBNR. The Group seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

The premium liabilities have been determined as such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies. The expected future liability is determined using the Group's loss ratio adjusted for seasonality and portfolio mix for the remaining unearned period. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(d)(i).

35. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

iv) Sensitivity analysis

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

An assumed 5% change in the claims' ratio, net of reinsurance, would impact net underwriting income as follows:

	2022 **SR'000**	2021 SR'000
Impact of change in claims ratio by 5%	**±641,838**	±530,885

b) Reinsurance risk

During the years ended 31 Dec 2021 and 2022, the Group had reinsurance arrangements, quota share and excess of loss, for certain group of contracts to reduce its exposure through partial transfer of insurance risk. The reinsurance premium ceded represents a minimal margin of the overall gross premium written. Reinsurance premium ceded reached 0.7% of gross premium written (2021: 0.75%).

The reinsurers selected met SAMA's minimum acceptable rating of BBB (S&P Rating).

Reinsurance ceded business does not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

c) Market risk

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

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

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

35. RISK MANAGEMENT (continued)

c) Market risk (continued)

i) Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments.

Investments in term deposits and sukuk instruments have various maturities in order to maximise investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest-bearing securities as at 31 December are as follows:

	2022				
	Less than 3 months	**3 months to 1 year**	**More than 1 year to 3 years**	**More than 3 years**	**Total**
			SR'000		
Term deposits	**1,000,000**	**1,945,000**	**2,945,989**	**517,500**	**6,408,489**
Investments in Sukuk - AFS	**93,715**	**142,359**	**436,916**	**1,605,813**	**2,278,803**
Investments in Sukuk - FVSI	**-**	**-**	**18,000**	**29,058**	**47,058**
Investments in Sukuk - HTM	**-**	**-**	**-**	**522,068**	**522,068**
	1,093,715	**2,087,359**	**3,400,905**	**2,674,439**	**9,256,418**

	2021				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
			SR'000		
Term deposits	200,000	1,424,328	1,319,392	150,000	3,093,720
Investments in Sukuk - AFS	103,891	10,121	300,975	1,138,522	1,553,509
Investments in Sukuk - FVSI	26,001	-	18,000	29,058	73,059
Investments in Sukuk - HTM	-	-	-	331,250	331,250
	329,892	1,434,449	1,638,367	1,648,830	5,051,538

ii) Price risk

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

The total size of investments which are exposed to market price risk is SR 3,382 million (2021: SR 5,704 million). The Group manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Group's profit would be as follows:

	Fair value change	**Effect on Group's profit SR'000**
2022	**± 10%**	**± 14,878**
2021	± 10%	± 32,586

The above sensitivity analysis is only on FVSI investments which directly impact the Group's profit.

35. RISK MANAGEMENT (continued)

c) Market risk (continued)

iii) Currency risk

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

d) Credit risk

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

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

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

	2022	2021
	SR'000	SR'000
Cash and cash equivalents	**1,288,297**	960,758
Premiums receivable – net	**2,159,183**	1,761,300
Reinsurers' share of outstanding claims	**7,221**	7,207
Reinsurers' share of claims incurred but not reported	**12,602**	7,829
Investments	**2,848,929**	1,957,818
Other receivables and accrued income	**91,258**	59,220
Term deposits	**6,408,489**	3,093,720
Statutory deposit	**150,000**	120,000
Accrued income on statutory deposit	**16,235**	14,885
	12,982,214	7,982,737

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

	2022			
		Non-investment grade		
	Investment grade	**Not impaired**	**Impaired**	**Total**
	SR'000			
Cash and cash equivalents	**1,288,297**	**-**	**-**	**1,288,297**
Premiums receivable – net	**-**	**2,159,183**	**-**	**2,159,183**
Reinsurers' share of outstanding claims	**-**	**7,221**	**-**	**7,221**
Reinsurers' share of claims Incurred but not reported	**-**	**12,602**	**-**	**12,602**
Investments	**2,848,929**	**-**	**-**	**2,848,929**
Other receivables and accrued income	**-**	**91,258**	**-**	**91,258**
Term deposits	**6,408,489**	**-**	**-**	**6,408,489**
Statutory deposit	**150,000**	**-**	**-**	**150,000**
Accrued income on statutory deposit	**16,235**	**-**	**-**	**16,235**
	10,711,950	**2,270,264**	**-**	**12,982,214**

35. RISK MANAGEMENT (continued)

d) Credit risk (continued)

	2021			
		Non-investment grade		
	Investment grade	Not impaired	Impaired	Total
	SR'000			
Cash and cash equivalents	960,758	-	-	960,758
Premiums receivable – net	-	1,761,300	-	1,761,300
Reinsurers' share of outstanding claims	-	7,207	-	7,207
Reinsurers' share of claims Incurred but not reported	-	7,829	-	7,829
Investments	1,957,818	-	-	1,957,818
Other receivables and accrued income	-	59,220	-	59,220
Term deposits	3,093,720	-	-	3,093,720
Statutory deposit	120,000	-	-	120,000
Accrued income on statutory deposit	14,885	-	-	14,885
	6,147,181	1,835,556	-	7,982,737

e) Liquidity risk

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

Unearned premiums, premium deficiency reserve and claims handling reserve have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Group based on remaining expected undiscounted contractual obligations:

	2022		
	Up to one year	**More than one year**	**Total**
	SR'000		
Accrued and other liabilities	**871,560**	**-**	**871,560**
Lease liability	**18,717**	**165,965**	**184,682**
Insurance operations' surplus payable	**208,021**	**-**	**208,021**
Reinsurers' balances payable	**2,605**	**-**	**2,605**
Outstanding claims	**601,366**	**-**	**601,366**
Claims incurred but not reported	**1,867,017**	**-**	**1,867,017**
Due to related parties	**42,280**	**-**	**42,280**
Accrued income payable to SAMA	**-**	**16,235**	**16,235**
	3,611,566	**182,200**	**3,793,766**

	2021		
	Up to one year	More than one year	Total
	SR'000		
Accrued and other liabilities	604,774	-	604,774
Lease liability	14,218	111,115	125,333
Insurance operations' surplus payable	190,060	-	190,060
Reinsurers' balances payable	25,397	-	25,397
Outstanding claims	601,168	-	601,168
Claims incurred but not reported	1,413,888	-	1,413,888
Due to related parties	33,723	-	33,723
Accrued income payable to SAMA	-	14,885	14,885
	2,883,228	126,000	3,009,228

35. RISK MANAGEMENT (continued)

f) Liquidity profile

All assets excluding investments, fixtures, furniture and equipment and right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled before one year. Term deposits amounting to SR 2,945 million (31 December 2021: SR 1,624 million) mature within one year and the remaining balance have maturities greater than one year.

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

g) Operation risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group's service providers, and from factors other than credit, market and liquidity risks such as those arising from regulatory requirements. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

36. SUPPLEMENTARY INFORMATION

Consolidated Statement of Financial Position

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
ASSETS						
Cash and cash equivalents	**649,270**	**639,027**	**1,288,297**	930,691	30,067	960,758
Premiums receivables – net	**2,159,183**	**-**	**2,159,183**	1,761,300	-	1,761,300
Reinsurers' share of unearned premiums	**48,265**	**-**	**48,265**	27,935	-	27,935
Reinsurers' share of outstanding claims	**7,221**	**-**	**7,221**	7,207	-	7,207
Reinsurers' share of claims Incurred but not reported	**12,602**	**-**	**12,602**	7,829	-	7,829
Deferred policy acquisition costs	**264,931**	**-**	**264,931**	201,042	-	201,042
Investments	**1,283,101**	**2,091,201**	**3,374,302**	2,599,429	3,104,344	5,703,773
Prepaid expenses and other assets	**79,620**	**68,143**	**147,763**	99,998	13,256	113,254
Term deposits	**4,753,100**	**1,655,389**	**6,408,489**	2,007,922	1,085,798	3,093,720
Fixtures, Furniture and equipment – net	**-**	**63,643**	**63,643**	-	69,771	69,771
Right-of-use assets – net	**-**	**165,947**	**165,947**	-	112,616	112,616
Intangible assets – net	**-**	**65,413**	**65,413**	-	67,277	67,277
Deferred tax asset	**-**	**40,151**	**40,151**	-	39,735	39,735
Goodwill	**-**	**98,000**	**98,000**	-	98,000	98,000
Statutory deposit	**-**	**150,000**	**150,000**	-	120,000	120,000
Accrued income on statutory deposit	**-**	**16,235**	**16,235**	-	14,885	14,885
TOTAL ASSETS	**9,257,293**	**5,053,149**	**14,310,442**	7,643,353	4,755,749	12,399,102

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Financial Position (continued)

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
LIABILITIES						
Accrued and other liabilities	**860,074**	**11,486**	**871,560**	597,911	6,863	604,774
Lease liability	**-**	**184,682**	**184,682**	-	125,333	125,333
Insurance operations' surplus payable	**208,021**	**-**	**208,021**	190,060	-	190,060
Reinsurers' balances payable	**2,605**	**-**	**2,605**	25,397	-	25,397
Unearned premiums	**5,695,725**	**-**	**5,695,725**	4,709,555	-	4,709,555
Outstanding claims	**601,366**	**-**	**601,366**	601,168	-	601,168
Claims incurred but not reported	**1,867,017**	**-**	**1,867,017**	1,413,888	-	1,413,888
Premium deficiency reserve	**22,982**	**-**	**22,982**	74,602	-	74,602
Claims handling reserve	**23,470**	**-**	**23,470**	21,797	-	21,797
Due to related parties	**-**	**42,280**	**42,280**	-	33,723	33,723
Provision for end-of-service benefits (EOSB)	**-**	**154,054**	**154,054**	-	152,286	152,286
Provision for zakat and income tax	**-**	**326,566**	**326,566**	-	236,610	236,610
Accrued income payable to SAMA	**-**	**16,235**	**16,235**	-	14,885	14,885
TOTAL LIABILITIES	**9,281,260**	**735,303**	**10,016,563**	7,634,378	569,700	8,204,078
EQUITY						
Share capital	**-**	**1,500,000**	**1,500,000**	-	1,200,000	1,200,000
Statutory reserve	**-**	**1,164,724**	**1,164,724**	-	992,210	992,210
Share based payments reserve	**-**	**54,268**	**54,268**	-	43,500	43,500
Shares held under employees share scheme	**-**	**(78,235)**	**(78,235)**	-	(53,356)	(53,356)
Retained earnings	**-**	**1,709,186**	**1,709,186**	-	1,790,700	1,790,700
Re-measurement reserve for end-of-service benefits (EOSB)	**-**	**(7,043)**	**(7,043)**	-	(23,638)	(23,638)
Investments fair value reserve	**(23,967)**	**(25,054)**	**(49,021)**	8,975	236,633	245,608
TOTAL EQUITY	**(23,967)**	**4,317,846**	**4,293,879**	8,975	4,186,049	4,195,024
TOTAL LIABILITIES AND EQUITY	**9,257,293**	**5,053,149**	**14,310,442**	7,643,353	4,755,749	12,399,102

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Income

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
REVENUES						
Gross premiums written	**13,896,883**	**-**	**13,896,883**	11,382,194	-	11,382,194
Reinsurance premiums ceded – Local	**(175)**	**-**	**(175)**	(5,345)	-	(5,345)
Reinsurance premiums ceded – International	**(94,107)**	**-**	**(94,107)**	(80,737)	-	(80,737)
Net premiums written	**13,802,601**	**-**	**13,802,601**	11,296,112	-	11,296,112
Changes in unearned premiums – net	**(965,840)**	**-**	**(965,840)**	(678,397)	-	(678,397)
Net premiums earned	**12,836,761**	**-**	**12,836,761**	10,617,715	-	10,617,715
Other revenues	**-**	**42,633**	**42,633**	-	-	-
Total revenues	**12,836,761**	**42,633**	**12,879,394**	10,617,715	-	10,617,715
UNDERWRITING AND OTHER DIRECT COSTS						
Gross claims paid	**(10,565,431)**	**-**	**(10,565,431)**	(9,114,251)	-	(9,114,251)
Reinsurers' share of claims paid	**39,497**	**-**	**39,497**	62,718	-	62,718
Net claims paid	**(10,525,934)**	**-**	**(10,525,934)**	(9,051,533)	-	(9,051,533)
Changes in outstanding claims	**(198)**	**-**	**(198)**	(154,649)	-	(154,649)
Changes in claims incurred but not reported	**(453,129)**	**-**	**(453,129)**	(35,594)	-	(35,594)
Changes in Premium deficiency Reserve	**51,620**	**-**	**51,620**	189,149	-	189,149
Changes in claims handling reserves	**(1,673)**	**-**	**(1,673)**	(1,042)	-	(1,042)
Reinsurance share of changes in outstanding claims	**14**	**-**	**14**	5,732	-	5,732
Reinsurance share of changes in claims incurred but not reported	**4,773**	**-**	**4,773**	1,368	-	1,368
Net claims incurred	**(10,924,527)**	**-**	**(10,924,527)**	(9,046,569)	-	(9,046,569)
Policy acquisition costs	**(578,156)**	**-**	**(578,156)**	(343,427)	-	(343,427)
Other costs	**-**	**(16,378)**	**(16,378)**	-	-	-
Total underwriting and other direct costs	**(11,502,683)**	**(16,378)**	**(11,519,061)**	(9,389,996)	-	(9,389,996)

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Income (continued)

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
NET UNDERWRITING & OTHER ACTIVITIES GROSS INCOME	**1,334,078**	**26,255**	**1,360,333**	1,227,719	-	1,227,719
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	**(40,885)**	**-**	**(40,885)**	(22,458)	-	(22,458)
General and administrative expenses	**(651,919)**	**(15,226)**	**(667,145)**	(586,004)	(12,590)	(598,594)
Selling and marketing expenses	**(135,975)**	**-**	**(135,975)**	(115,646)	-	(115,646)
Investment income – net	**152,141**	**400,849**	**552,990**	84,843	175,594	260,437
Other income – net	**(4,409)**	**27,275**	**22,866**	(4,985)	42,575	37,590
Total other operating (expenses)/ income	**(681,047)**	**412,898**	**(268,149)**	(644,250)	205,579	(438,671)
Income before surplus, zakat & income tax	**653,031**	**439,153**	**1,092,184**	583,469	205,579	789,048
Transfer of surplus to shareholders	**(587,728)**	**587,728**	**-**	(525,122)	525,122	-
Income attributed to the shareholders before zakat and income tax	**65,303**	**1,026,881**	**1,092,184**	58,347	730,701	789,048
Zakat charge	**-**	**(72,938)**	**(72,938)**	-	(41,136)	(41,136)
Income tax charge	**-**	**(91,374)**	**(91,374)**	-	(63,995)	(63,995)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**65,303**	**862,569**	**927,872**	58,347	625,570	683,917
Weighted average number of ordinary outstanding shares (in thousands)		**149,316**			149,558	
Basic and diluted earnings per share (Expressed in SR per Share)		**5.78**			4.18	

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Comprehensive Income

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**65,303**	**862,569**	**927,872**	58,347	625,570	683,917
Other comprehensive income						
Items that will not be reclassified to statements of income in subsequent years:						
Actuarial gains on employees' EOSB	**-**	**16,595**	**16,595**	-	7,535	7,535
Items that are or may be reclassified to statement of income in subsequent years:						
Net changes in fair value of available-for-sale investments:	**(32,942)**	**(261,687)**	**(294,629)**	(15,083)	61,785	46,702
TOTAL COMPREHENSIVE INCOME	**32,361**	**617,477**	**649,838**	43,264	694,890	738,154
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			**(65,303)**			(58,347)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**584,535**			679,807

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Cash flows

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders before zakat and income tax	**-**	**1,026,881**	**1,026,881**	-	730,701	730,701
Adjustments for non-cash items:						
Net income attributed to the insurance operations	**65,303**	**-**	**65,303**	58,347	-	58,347
Depreciation of Fixtures, Furniture and equipment	**15,734**	**-**	**15,734**	15,216	-	15,216
Amortisation of Right-of-use assets	**21,019**	**-**	**21,019**	15,939	-	15,939
Amortisation of intangible assets	**13,105**	**-**	**13,105**	14,446	-	14,446
Loss on disposal of Fixtures and Furniture and equipment	**-**	**238**	**238**	-	2,521	2,521
Loss on disposal of Intangible assets	**-**	**326**	**326**	-	-	-
Provision for employees share scheme	**-**	**22,391**	**22,391**	-	20,386	20,386
Allowance of doubtful receivables	**40,885**	**-**	**40,885**	22,458	-	22,458
Commission Income on term deposits	**(102,993)**	**(37,536)**	**(140,529)**	(31,182)	(27,175)	(58,357)
Other investment income, net	**(49,148)**	**(363,313)**	**(412,461)**	(24,079)	(178,001)	(202,080)
Provision for end-of-service benefits	**-**	**25,799**	**25,799**	-	27,495	27,495
Finance cost	**6,287**	**-**	**6,287**	5,834	-	5,834
Changes in operating assets and liabilities:						
Premiums receivable	**(438,768)**	**-**	**(438,768)**	(463,715)	-	(463,715)
Reinsurers' share of unearned premiums	**(20,330)**	**-**	**(20,330)**	(7,827)	-	(7,827)
Reinsurers' share of outstanding claims	**(14)**	**-**	**(14)**	(5,732)	-	(5,732)
Reinsurers' share of claims incurred but not reported	**(4,773)**	**-**	**(4,773)**	(1,368)	-	(1,368)
Deferred policy acquisition costs	**(63,889)**	**-**	**(63,889)**	(132,828)	-	(132,828)
Prepaid expenses and other assets	**20,378**	**(54,817)**	**(34,439)**	(28,831)	663	(28,168)
Accrued and other liabilities	**262,163**	**4,623**	**266,786**	63,710	614	64,324
Reinsurers' balances payable	**(22,792)**	**-**	**(22,792)**	20,524	-	20,524
Unearned premiums	**986,170**	**-**	**986,170**	686,224	-	686,224
Outstanding claims	**198**	**-**	**198**	154,649	-	154,649
Claims incurred but not reported	**453,129**	**-**	**453,129**	35,594	-	35,594
Premium deficiency reserve	**(51,620)**	**-**	**(51,620)**	(189,149)	-	(189,149)
Claims handling reserve	**1,673**	**-**	**1,673**	1,042	-	1,042
Due to related parties	**-**	**76,988**	**76,988**	-	(60,557)	(60,557)
Due to shareholders' operations	**(56,508)**	**56,508**	**-**	(90,923)	90,923	-
	1,075,209	**758,088**	**1,833,297**	118,349	607,570	725,919
End-of-service benefits paid	**-**	**(7,436)**	**(7,436)**	-	(7,686)	(7,686)
Surplus paid to policyholders	**(47,342)**	**-**	**(47,342)**	(68,678)	-	(68,678)
Zakat and income tax paid	**-**	**(74,842)**	**(74,842)**	-	(187,514)	(187,514)
Net cash generated from operating activities	**1,027,867**	**675,810**	**1,703,677**	49,671	412,370	462,041

36. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Cash flows (continued)

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	**(4,795,854)**	**(1,415,869)**	**(6,211,723)**	(1,839,000)	(374,328)	(2,213,328)
Proceeds from maturity of term deposits	**2,153,669**	**883,814**	**3,037,483**	1,507,552	466,960	1,974,512
Additions to investments	**(4,482,471)**	**(4,383,346)**	**(8,865,817)**	(8,132,760)	(7,033,358)	(15,166,118)
Disposals of investments	**5,777,069**	**5,410,905**	**11,187,974**	9,088,961	6,452,175	15,541,136
Proceeds from commission and dividends	**38,299**	**86,847**	**125,146**	61,035	138,402	199,437
Increase in statutory deposit	**-**	**(30,000)**	**(30,000)**	-	-	-
Additions to Fixtures, Furniture and equipment	**-**	**(9,902)**	**(9,902)**	-	(9,115)	(9,115)
Proceeds from disposal of fixtures, furniture and equipment	**-**	**58**	**58**	-	-	-
Additions to intangible assets	**-**	**(11,567)**	**(11,567)**	-	(19,765)	(19,765)
Net cash (used in) / generated from investing activities	**(1,309,288)**	**530,940**	**(778,348)**	685,788	(379,029)	306,759
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	**-**	**(540,000)**	**(540,000)**	-	(408,000)	(408,000)
Purchase of shares held under employees share scheme	**-**	**(36,502)**	**(36,502)**	-	(14,263)	(14,263)
Lease liability paid	**-**	**(21,288)**	**(21,288)**	-	(19,030)	(19,030)
Net cash used in financing activities	**-**	**(597,790)**	**(597,790)**	-	(441,293)	(441,293)
Net change in cash and cash equivalents	**(281,421)**	**608,960**	**327,539**	735,459	(407,952)	327,507
Cash and cash equivalents at beginning of the year	**930,691**	**30,067**	**960,758**	195,232	438,019	633,251
Cash and cash equivalents at end of the year	**649,270**	**639,027**	**1,288,297**	930,691	30,067	960,758

37. DIVIDENDS

During the year ended 31 December 2022, the Group's Board of Directors proposed to pay dividends for the year ended 31 December 2021 of SR 4.5 per share, totalling SR 540 million (2021: SR 408 million) to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting and paid during the year.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on 29 Rajab 1444H corresponding to 20 February 2023.