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

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

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EY 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 2023, 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 material accounting policy information 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 2023, 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 that 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 estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk for corporate segment amounts to SR 3,182.948 million and SR 120.624 million (2022: SR 2,486.425 million and SR 97.512 million) respectively, and estimate of present value of cash flows and risk adjustment for non-financial risk for SMEs and others segment amounts to SR 437.251 million and SR 14.143 million (2022: SR 354.862 million and SR 12.511 million) respectively, as reported in Note 7 to the consolidated financial statements. The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The present value of future cash flows 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 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.	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 sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Assessed 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 present value of the future cashflows and the risk adjustment for non-financial risk by comparing it to the accounting and other records. • Involved our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:

Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter. *Refer to notes 3(b)(i) for the accounting policy and significant accounting judgements, estimates and assumptions adopted by the Group, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 6 for the movement in insurance contract liabilities.*	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 tested 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.
Adoption of IFRS 17 and IFRS 9 During the year the Group has adopted IFRS 17 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 17), which replaces IFRS 4 "Insurance Contracts", as endorsed in the Kingdom of Saudi Arabia (IFRS 4) and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The Group has applied the full retrospective approach to each group of insurance contracts. The adoption of IFRS 17 resulted in a transition adjustment to the Group's equity as at 1 January 2022 amounting to SAR 34.335 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.	We performed the following procedures: • Obtained an understanding of the Group's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Group's accounting policies, systems, processes and controls. • Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate grouping for such contracts and to determine whether the use of the premium allocation approach (PAA) under IFRS 17 was appropriate. • Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses. • Evaluated the risk adjustment for non financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting

Further, during the year the Group also adopted IFRS 9 “Financial Instruments”, as endorsed in the Kingdom of Saudi Arabia (IFRS 9) which replaces IAS 39 “Financial Instruments: Recognition and Measurement”, as endorsed in the Kingdom of Saudi Arabia (IAS 39). The Group has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Group applied a retrospective approach to be in line with the transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9. The adoption of IFRS 9 resulted in a transition adjustment to the Group's equity as at 1 January 2022 amounting to SAR 0.7 million. IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Group’s investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Group’s financial assets. Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Group along with significant changes to presentation and disclosures that were required in the consolidated financial statements for the year ended 31 December 2023, we have considered this as a key audit matter. *Refer to note 3(b)(i) and 3(b)(ii) for accounting policy and significant accounting judgements, estimates and assumptions adopted by the Group. The impact of transition is explained in note 4 to the consolidated financial statements.*	the adjustment. • Evaluated and assessed management’s conclusions regarding the Group’s business model for different portfolios of investments and the appropriateness of the Group’s determination of ECL under IFRS 9. • Assessed the adequacy of the transition adjustments impact for both IFRS 17 and IFRS 9 on the opening retained earnings as at 1 January 2022. • Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in the consolidated financial statements. • Assessed the Group’s methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial and accounting specialists and experts.

Other information included in the Group’s 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group’s 2023 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.

When we read the Group’s annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management 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 management 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 management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is 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, that are 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.

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)

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 management.

- Conclude on the appropriateness of management's 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.

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)

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)

27 Rajab 1445H
February 08, 2024G
Jeddah, Kingdom of Saudi Arabia

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022 Restated*	1 January 2022 Restated*
ASSETS				
Cash and cash equivalents	6	**1,255,896**	1,287,961	960,585
Reinsurance contract assets	7.2	**74,090**	28,155	59,112
Prepaid expenses and other assets	12	**475,475**	410,519	284,093
Term deposits	9	**7,223,011**	6,406,848	3,093,163
Financial assets at amortised cost – net	8	**587,360**	526,188	333,566
Financial assets at fair value	8	**4,246,757**	2,852,234	5,372,523
Fixtures, furniture and equipment – net	10.1	**69,879**	63,643	69,771
Deferred tax asset	22	**38,609**	40,511	39,829
Due from related parties	21	**-**	3,316	-
Right-of-use assets – net	10.2	**143,388**	165,947	112,616
Intangible assets – net	11	**67,236**	65,413	67,277
Statutory deposit – net	13	**149,960**	149,961	119,978
Accrued income on statutory deposit	13	**8,690**	16,235	14,885
Goodwill	5	**98,000**	98,000	98,000
TOTAL ASSETS		**14,438,351**	12,114,931	10,625,398
LIABILITIES				
Accrued and other liabilities	16.1	**734,859**	530,715	302,520
Insurance contract liabilities	7.1	**8,267,196**	6,699,185	5,594,345
Reinsurance contract liabilities	7.2	**-**	2,605	25,397
Lease liability	16.2	**166,066**	184,682	125,333
Due to related parties	21	**40,935**	-	14,051
Provision for end-of-service benefits	18	**186,487**	154,054	152,286
Provision for zakat and income tax	22	**358,589**	326,566	236,610
Accrued income payable to Insurance Authority	13	**8,690**	16,235	14,885
TOTAL LIABILITIES		**9,762,822**	7,914,042	6,465,427
EQUITY				
Share capital	23	**1,500,000**	1,500,000	1,200,000
Statutory reserve	24	**1,352,757**	1,164,724	992,210
Share based payments reserve	25	**48,477**	54,268	43,500
Shares held under employees share scheme	25	**(65,115)**	(78,235)	(53,356)
Retained earnings		**1,853,721**	1,641,591	1,780,557
Re-measurement reserve for end-of-service benefits		**(13,698)**	(7,043)	(23,638)
Investments fair value reserve		**(613)**	(74,416)	220,698
TOTAL EQUITY		**4,675,529**	4,200,889	4,159,971
TOTAL LIABILITIES AND EQUITY		**14,438,351**	12,114,931	10,625,398

*Comparative information has been restated (refer note 4).

Chairman
Loay Hisham Nazer

Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Notes	**2023**	2022 Restated*
Insurance revenue	7.1	**15,887,715**	12,873,111
Insurance service expense	7.1	**(14,994,432)**	(12,206,033)
Net expenses from reinsurance contracts held	7.2	**(28,246)**	(29,450)
Net insurance service result		**865,037**	637,628
Investment income on financial assets at amortised cost	8	**350,636**	167,197
Investment income on financial assets at fair value	8	**163,425**	386,622
Net impairment loss on financial assets		**(785)**	(1,685)
Net insurance and investment results		**1,378,313**	1,189,762
Other operating expenses	26	**(316,813)**	(246,854)
Other revenue		**92,065**	42,633
Other cost		**(36,886)**	(16,378)
Income attributed to the shareholders before zakat and income tax		**1,116,679**	969,163
Zakat charge	22	**(80,237)**	(72,938)
Income tax charge	22	**(96,279)**	(91,108)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		**940,163**	805,117
Basic and diluted earnings per share (expressed in SAR per share)	28	**6.29**	5.39

*Comparative information has been restated (refer note 4).

Chairman
Loay Hisham Nazer

Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
Tal Hisham Nazer

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	2023	2022 Restated*
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**940,163**	**805,117**
Other comprehensive income / (loss)		
A. Items that will not be reclassified to consolidated statement of income in subsequent years		
Actuarial (losses) / gains on end-of-service benefits	**(6,655)**	16,595
Net changes in fair value of investments measured at FVOCI – equity instruments	**15,255**	(190,725)
B. Items that are or may be reclassified to consolidated statements of income in subsequent years		
Net changes in fair value of investments measured at FVOCI – debt instruments	**58,152**	(104,733)
Net changes in allowance for expected credit losses of investments measured at FVOCI – debt instruments	**396**	344
Total other comprehensive income / (loss)	**67,148**	(278,519)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,007,311**	526,598

*Comparative information has been restated (refer note 4).

Chairman
Loay Hisham Nazer

Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
Tal Hisham Nazer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

2023	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for end-of-service benefits	Investments fair value reserve	Total equity
Balance at 31 December 2022 (Restated)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,641,591**	**(7,043)**	**(74,416)**	**4,200,889**
Net income for the year attributed to shareholders after zakat and income tax	**-**	**-**	**-**	**-**	**940,163**	**-**	**-**	**940,163**
Other comprehensive income / (loss)	**-**	**-**	**-**	**-**	**-**	**(6,655)**	**73,803**	**67,148**
Total comprehensive income / (loss) for the year	-	-	-	-	**940,163**	**(6,655)**	**73,803**	**1,007,311**
Transfer to statutory reserves	**-**	**188,033**	**-**	**-**	**(188,033)**	**-**	**-**	**-**
Provision for employees share scheme	**-**	**-**	**26,164**	**-**	**-**	**-**	**-**	**26,164**
Delivery of shares held under employees share scheme	**-**	**-**	**(31,955)**	**31,955**	**-**	**-**	**-**	**-**
Purchase of shares held under employees share scheme	**-**	**-**	**-**	**(18,835)**	**-**	**-**	**-**	**(18,835)**
Dividends (note 31)	**-**	**-**	**-**	**-**	**(540,000)**	**-**	**-**	**(540,000)**
Balance at 31 December 2023	**1,500,000**	**1,352,757**	**48,477**	**(65,115)**	**1,853,721**	**(13,698)**	**(613)**	**4,675,529**

Chairman
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The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for end-of-service benefits	Investments fair value reserve	Total equity
2022								
Balance at 31 December 2021, as previously presented	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	245,608	4,195,024
Impact of adopting IFRS 17	-	-	-	-	(34,335)	-	-	(34,335)
Impact of adopting IFRS 9	-	-	-	-	24,192	-	(24,910)	(718)
*Restated balance at 1 January 2022	1,200,000	992,210	43,500	(53,356)	1,780,557	(23,638)	220,698	4,159,971
Net income for the year attributed to shareholders after zakat and income tax	-	-	-	-	805,117	-	-	805,117
Other comprehensive (loss) / income	-	-	-	-	-	16,595	(295,114)	(278,519)
Total comprehensive income / (loss) for the year	-	-	-	-	805,117	16,595	(295,114)	526,598
Transfer to statutory reserves	-	172,514	-	-	(172,514)	-	-	-
Provision for employees share scheme	-	-	22,391	-	-	-	-	22,391
Delivery of shares held under employees share scheme	-	-	(11,623)	11,623	-	-	-	-
Purchase of shares held under employees share scheme	-	-	-	(36,502)	-	-	-	(36,502)
Dividends (note 31)	-	-	-	-	(540,000)	-	-	(540,000)
Bonus share issued	300,000	-	-	-	(300,000)	-	-	-
Income tax refundable from non-Saudi shareholders	-	-	-	-	68,431	-	-	68,431
Balance at 31 December 2022 (Restated)	1,500,000	1,164,724	54,268	(78,235)	1,641,591	(7,043)	(74,416)	4,200,889

*Comparative information has been restated (refer note 4).

Chairman
Loay Hisham Nazer

Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Notes	**2023**	2022 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to shareholders before zakat and income tax		**1,116,679**	969,163
Adjustments for non-cash items:			
Depreciation of fixtures, furniture and equipment	10.1	**16,169**	15,734
Amortisation of right-of-use assets	10.2	**22,559**	21,019
Amortisation of intangible assets	11	**17,029**	13,105
(Gain)/loss on disposal of fixtures and furniture and equipment		**(169)**	238
Loss on disposal of intangible assets		**-**	326
Provision for employees share scheme		**26,164**	22,391
Net impairment loss on financial assets		**742**	1,432
Investment income on financial assets at amortized cost		**(350,636)**	(167,197)
Investment income on financial assets at fair value		**(163,425)**	(386,622)
Provision for end-of-service benefits	18	**31,564**	25,799
Finance cost	16.2	**6,065**	6,287
Changes in operating assets and liabilities:			
Insurance contract liabilities		**1,612,240**	1,152,182
Reinsurance contract assets		**(45,935)**	30,957
Reinsurance contract liabilities		**(2,605)**	(22,792)
Prepaid expenses and other assets		**(64,956)**	(126,426)
Due from related parties		**3,316**	(3,316)
Accrued and other liabilities		**204,144**	296,626
Due to related parties		**40,935**	(14,051)
		2,469,880	1,834,855
End-of-service benefits paid	18.1	**(5,786)**	(7,436)
Surplus paid to policyholders	30	**(44,229)**	(47,342)
Zakat and income tax paid	22	**(142,591)**	(74,772)
Net cash generated from operating activities		**2,277,274**	1,705,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	9	**(4,334,871)**	(6,211,723)
Proceeds from maturity of term deposits	9	**3,804,800**	3,037,483
Additions to investments carried at fair value	8	**(2,321,377)**	(8,681,380)
Additions to investments carried at amortised cost	8	**(101,265)**	(184,437)
Disposal of investments carried at fair value	8	**1,056,683**	11,190,350
Proceeds from maturity of amortised cost investments	8	**3,939**	-
Additions to statutory deposit		-	(29,983)
Proceeds from commissions and dividends		**207,356**	120,962
Additions to fixtures, furniture and equipment	10.1	**(22,405)**	(9,902)
Proceeds from disposal of fixtures, furniture and equipment		**169**	58
Additions to intangible assets	11	**(18,852)**	(11,567)
Net cash used in investing activities		**(1,725,823)**	(780,139)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	31	**(540,000)**	(540,000)
Purchase of shares held under employees share scheme		**(18,835)**	(36,502)
Lease liability paid	16.2	**(24,681)**	(21,288)
Net cash used in financing activities		**(583,516)**	(597,790)
Net change in cash and cash equivalents		**(32,065)**	327,376
Cash and cash equivalents at beginning of the year		**1,287,961**	960,585
Cash and cash equivalents at end of the year		**1,255,896**	1,287,961
Non-cash transactions			
Income tax refundable from non-Saudi shareholders		**-**	68,431
Recognition of lease liability / Right-of-use assets		-	74,350

*Comparative information has been restated (refer note 4).

Chairman
Loay Hisham Nazer

Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
Tal Hisham Nazer

The accompanying notes from 1 to 35 an integral part of these consolidated financial statements.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

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. During the year, the Insurance Authority has been established by a royal decree as the insurance regulator. Previously issued regulations by SAMA will be upheld until the Insurance Authority issued updated regulations. Therefore, the accrued income liability is payable to the Insurance Authority.

The Company has the following subsidiaries:

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
Horizon Medical Services Company	4030512306	Saudi Arabia	100%	Healthcare services

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). Bupa Arabia For Third Party Administration commenced operations in July 2022 and prior to that subsidiary was dormant. Horizon Medical Services has not yet commenced operations.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 Group adopted IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia and the resultant changes to the material accounting policies are described in Note 3 and Note 4.

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 profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) and provision for end-of-service benefits recorded at the present value using the projected unit credit method.

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The Group's consolidated statement of financial position is presented in order of liquidity. Except for financial assets, 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 Insurance Authority, all other assets and liabilities are of short-term nature.

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 35 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. The accounting policies adopted for the insurance and shareholders' operations are in accordance with IFRS as endorsed by SOCPA.

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 expressed in Saudi Arabian Riyals (SAR) and all amounts are rounded off to the nearest thousand, unless 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 consolidated financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

i) Insurance Contracts

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. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgement and estimates include Risk Adjustment ("RA") and liability for incurred claims – estimate of future cash flows. Refer to note 3 for further details.

2. BASIS OF PREPARATION (continued)

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

ii) 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. Refer note 19 for details.

iii) 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.

iv) Impairment of Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 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 5. 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 subsidiaries, as stated in note 1. The financial statements of the subsidiary is prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the consolidated financial statements of the subsidiary, where necessary, to align with the Group's consolidated financial statements.

A 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.

2. BASIS OF PREPARATION (continued)

(e) Basis of consolidation (continued)

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. MATERIAL ACCOUNTING POLICIES

The material 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

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Amendments to IAS 1 – Non-current Liabilities with Covenants.
Amendments to IAS 12 – international tax reform – pillar two model rules
IFRS 17 – Insurance contracts *(refer 3(b)(i))*
IFRS 9 – Financial instruments *(refer 3(b)(ii))*

These amendments had no impact on the consolidated financial statements of the Group.

b) Material accounting policies, including key judgments and estimates

i) IFRS 17 – accounting policies, including key judgments and estimates

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”). The Group has applied the full retrospective approach to each group of insurance contracts.

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”).

Unit of account and measurement model

The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. The PMI business is further divided as Corporate, SMEs and Others based on customer size. All insurance contracts within PMI line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.
The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
    - Discounted estimates of future cash flows.; and
    - A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

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 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 uses the PAA for measuring contracts with a coverage period of one year or less. The Group is adopting the PAA measurement model for the measurement of LRC for the whole 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>

Groups of insurance contracts issued are initially recognised from the earliest of the following:
• the beginning of the coverage period;
• the date when the first payment from the policyholder is due or actually received, if there is no due date; and
• when the Group determines that a group of contracts becomes onerous.

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 LIC, comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on Group's assessment, there are no investment components within insurance contracts issued by the Group.

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

The Group holds quota share reinsurance contract that provide coverage on the PMI insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Group does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

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

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The Group is presenting income/ expense from reinsurance as a net line item in the consolidated statement of income.

<u>Liability for Incurred Claims "LIC"</u>

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. 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 fulfills 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 establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the consolidated statement of financial position date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Group. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type. Loss ratio is the ratio of total claims incurred to total premiums earned for the portfolio.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Liability for Incurred Claims "LIC" (continued)

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

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. The Group has elected the accounting policy choice to present entire insurance finance income or expense for the period in the consolidated statement of income.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
   i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

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. Acquisition costs fall under the insurance service expense. The Group amortises the insurance acquisition costs over the contract period.

Directly attributable expenses

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

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. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

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. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the consolidated statement of income in insurance service expense. The loss component is then amortized to the consolidated statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

ii) IFRS 9 – accounting policies, including key judgments and estimates

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. For transition to IFRS 9, the Group applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

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 or loss (FVTPL).

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Classification (continued)

Financial assets at amortized cost

Debt Instruments:
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").

Financial assets at FVOCI

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, 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.

Financial assets at FVTPL

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.

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 application 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All regular-way purchases and sales of financial assets are initially recognised and derecognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

Debt instruments
Subsequent measurement of debt instruments depends on the group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the consolidated statement of income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in consolidated statement of income as investment income when the group’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment

Overview of Expected Credit Loss ("ECL") principles

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 the consolidated statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

The Group recognizes 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 is recognized on equity instruments.

The Group measures 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 considers 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 determined by using a matrix which uses historical credit loss experience of the Group. . For investment in debt securities, if the Days Past Due ('DPD') is 0, then investment is considered as Stage 1 and if the DPD is more than 0, investment is considered as Stage 3.

Staging of financial assets

The Group categorizes 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Credit impaired financial asset

At each reporting date, the Group assesses 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative- e.g., breaches of covenant and non-payment on another obligation of the same issuer to the Group.
- quantitative- e.g., overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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 generalised 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, based on a lifetime ECL computation.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate

While estimating the ECL, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyzes the relationship between key economic trends with the estimate of PD. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position 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 statement of financial position 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.

Financial liabilities

Classification and derecognition of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate ("EIR"). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of income. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

iii) Cash and cash equivalents

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

iv) Fixtures, furniture and equipment

Fixtures, furniture and equipment are initially recorded in the consolidated 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 consolidated 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.

v) 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

vi) 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 consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. Refer note 5.

vii) Accrued and other liabilities

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

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

viii) 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.

ix) Provision for end-of-service benefits

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 consolidated statement of other comprehensive income.

x) 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 consolidated 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.

xi) 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xi) Impairment of non-financial assets (continued)

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 consolidated 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 a reversal is recognised in the statement of income.

xii) 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

c) Material accounting policies, including key judgments and estimates (continued)

xiii) Revenue recognition

<u>Investment and commission income</u>

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 consolidated statement of income.

<u>Other revenues</u>
Other revenue represents revenue generated from operations of Bupa Arabia For Third Party Administration through claims management and handling services. The Group recognizes revenue from contracts, with customers based on a five-step model as set out in IFRS 15. Accordingly, the Company recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer. Revenue primarily represents services revenue. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period because the customer receives and uses the benefits simultaneously. This is determined by multiplying the number of members served with a fixed and pre-agreed rate with the customer in accordance with the terms of the contract. Customers are invoiced on a monthly basis and consideration is payable when invoiced. There were no contract assets or contract liabilities at the end of the reporting period as all services provided were already invoiced and there were no advance payments from customers as at that date.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xiv) 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xv) 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.

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.

xvi) 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.

xvii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

xviii) 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 Insurance Authority. A corresponding amount is recognised in equity.

xix) 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. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES

As stated in note 2, these consolidated financial statements are prepared in accordance with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. The Group has adopted IFRS 17 and IFRS 9 from its effective date i.e 1 January 2023.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended 31 December 2023 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position at 1 January 2022 (the Group's date of transition) and 31 December 2022.

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, the Group has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39.

Reclassification impact on the consolidated statement of financial position on adoption of IFRS 17

Presentation changes in the consolidated statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, insurance operations' surplus payable, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, claims handling reserve are presented together by portfolio on a single line called insurance contract liabilities. The previously reported line items: reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, reinsurers' balances payable are presented together by portfolio on a single line called reinsurance contract assets or liabilities.

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

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

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Remeasurement impact on the consolidated statement of financial position on adoption of IFRS 17

Impact on Equity:

Drivers of Changes	**Impact on equity on transition to IFRS 17 on 1 January 2022**
Changes in measurement of insurance contract liabilities	(35,017)
Changes in measurement of reinsurance contract assets	682
Total Impact	**(34,335)**

Impact on Insurance Contract Liabilities:

Drivers of Changes	**Impact on liabilities on transition to IFRS 17 on 1 January 2022**
Risk adjustment	(29,187)
Loss component on onerous contracts	(5,830)
Total Impact	**(35,017)**

Impact on Reinsurance Contract Asset:

Drivers of Changes	**Impact on assets on transition to IFRS 17 on 1 January 2022**
Reinsurance risk adjustment	682

Reclassification impact on the consolidated statement of financial position on adoption of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets and financial liabilities, inclusive of the expected credit losses, as at 1 January 2022:

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reclassification impact on the consolidated statement of financial position on adoption of IFRS 9 (continued)

Particulars	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets:				
Cash and cash equivalents	Amortized Cost	Amortized Cost	960,758	960,585
Investments:				
Insurance Operations -				
Mutual funds	Available for sale	FVTPL	36,759	36,759
Mutual funds	Held for Trading	FVTPL	1,790,185	1,790,185
Sukuks	Available for sale	FVOCI	654,471	654,471
Sukuks	Held for Trading	FVTPL	18,014	18,014
Sukuks	Held to Maturity	Amortized Cost	100,000	99,982
Accrued Interest on Sukuks	Held to Maturity	Amortized Cost	736	736
Shareholder Operations -				
Equity	Available for sale	FVOCI	58,070	58,070
Equity	Available for sale	FVTPL	271,129	271,129
Mutual funds	Available for sale	FVTPL	144,933	144,933
Mutual funds	Held for Trading	FVTPL	1,394,691	1,394,691
Investments in discretionary	Available for sale	FVOCI	50,189	50,189
Sukuks	Available for sale	FVOCI	899,038	899,038
Sukuks	Held for Trading	FVTPL	55,044	55,044
Sukuks	Held to Maturity	Amortized Cost	231,250	231,208
Accrued Interest on Sukuks	Held to Maturity	Amortized Cost	1,640	1,640
Term deposits:				
Insurance Operations	Held to Maturity	Amortized Cost	2,007,922	2,007,560
Shareholder Operations	Held to Maturity	Amortized Cost	1,085,798	1,085,603
Statutory deposits	Held to Maturity	Amortized Cost	134,885	134,863
Other financial assets	Held to Maturity	Amortized Cost	17,511	17,511

The changes in the classification of financial assets are predominantly due to the mandatory classification of equity instruments (including mutual funds) at FVTPL except for those which on transition the Group has elected to present the changes in fair value in OCI. Sukuks held for trading are required to be classified as FVTPL. Sukuks which meet the requirements of the IFRS 9 business models *hold to collect* and *sell* are classified as FVOCI. The remaining financial assets which have been classified as amortised cost meet the criteria of *held to collect* business model. There are no changes in the classification of financial liabilities in the transition from IAS 39 to IFRS 9.

Remeasurement impact on the consolidated statement of financial position on adoption of IFRS 9

Impairment of financial assets

The following table reconciles the impairment allowance and provision recorded as per the requirements of IAS 39 as at 31 December 2021 to opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2022. At the transition date and at the reporting date all financial assets were in Stage 1.

Particulars	31 Dec 21 (IAS 39)	Re-classification	Re-measurement	1 Jan 22 (IFRS 9)
Financial assets at amortized cost (IFRS 9)				
Impairment on Amortized cost assets (Sukuks)	-	-	60	60
Impairment on Term deposits	-	-	557	557
Impairment on Cash and Cash equivalents	-	-	173	173
Impairment on Statutory deposits	-	-	22	22
Financial assets at FVOCI (IFRS 9)				
Impairment on assets classified as FVOCI charged to profit or loss	-	-	277	277
Total	**-**	**-**	**1,089**	**1,089**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of financial position as at 1 January 2022.

	1 January 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
ASSETS						
Cash and cash equivalents	960,758	-	-	-	(173)	960,585
Premiums receivable – net	1,761,300	(1,761,300)	-	-	-	-
Reinsurers' share of unearned premiums	27,935	(27,935)	-	-	-	-
Reinsurers' share of outstanding claims	7,207	(7,207)	-	-	-	-
Reinsurers' share of claims incurred but not reported	7,829	(7,829)	-	-	-	-
Reinsurance contract assets	-	58,430	682	-	-	59,112
Deferred policy acquisition costs	201,042	(201,042)	-	-	-	-
Term deposits	3,093,720	-	-	-	(557)	3,093,163
Investments	5,703,773	-	-	(5,703,773)	-	-
Financial assets at amortised cost – net	-	-	-	333,626	(60)	333,566
Financial assets at fair value	-	-	-	5,372,523	-	5,372,523
Prepaid expenses and other assets	113,254	173,215	-	(2,376)	-	284,093
Fixtures, furniture and equipment – net	69,771	-	-	-	-	69,771
Deferred tax asset	39,735	-	-	-	94	39,829
Right-of-use assets – net	112,616	-	-	-	-	112,616
Intangible assets – net	67,277	-	-	-	-	67,277
Statutory deposit	120,000	-	-	-	(22)	119,978
Accrued income on statutory deposit	14,885	-	-	-	-	14,885
Goodwill	98,000	-	-	-	-	98,000
TOTAL ASSETS	**12,399,102**	**(1,773,668)**	**682**	**-**	**(718)**	**10,625,398**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of financial position as at 1 January 2022 (continued)

	1 January 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
LIABILITIES						
Accrued and other liabilities	604,774	(302,254)	-	-	-	302,520
Insurance contract liabilities	-	5,559,328	35,017	-	-	5,594,345
Reinsurance contract liabilities	-	25,397	-	-	-	25,397
Lease liability	125,333	-	-	-	-	125,333
Insurance operations' surplus payable	190,060	(190,060)	-	-	-	-
Reinsurers' balances payable	25,397	(25,397)	-	-	-	-
Unearned premiums	4,709,555	(4,709,555)	-	-	-	-
Outstanding claims	601,168	(601,168)	-	-	-	-
Claims incurred but not reported	1,413,888	(1,413,888)	-	-	-	-
Premium deficiency reserve	74,602	(74,602)	-	-	-	-
Claims handling reserve	21,797	(21,797)	-	-	-	-
Due to related parties	33,723	(19,672)	-	-	-	14,051
Provision for end-of-service benefits	152,286	-	-	-	-	152,286
Provision for zakat and income tax	236,610	-	-	-	-	236,610
Accrued income payable to Insurance Authority	14,885	-	-	-	-	14,885
TOTAL LIABILITIES	**8,204,078**	**(1,773,668)**	**35,017**	**-**	**-**	**6,465,427**
EQUITY						
Share capital	1,200,000	-	-	-	-	1,200,000
Statutory reserve	992,210	-	-	-	-	992,210
Share based payments reserve	43,500	-	-	-	-	43,500
Shares held under employees share scheme	(53,356)	-	-	-	-	(53,356)
Retained earnings	1,790,700	-	(34,335)	25,187	(995)	1,780,557
Re-measurement reserve for end-of-service benefits	(23,638)	-	-	-	-	(23,638)
Investments fair value reserve	245,608	-	-	(25,187)	277	220,698
TOTAL EQUITY	**4,195,024**	**-**	**(34,335)**	**-**	**(718)**	**4,159,971**
TOTAL LIABILITIES AND EQUITY	**12,399,102**	**(1,773,668)**	**682**	**-**	**(718)**	**10,625,398**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of financial position as at 31 December 2022

	31 December 2022 (Unaudited)					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
ASSETS						
Cash and cash equivalents	1,288,297	-	-	-	(336)	1,287,961
Premiums receivable – net	2,159,183	(2,159,183)	-	-	-	-
Reinsurers' share of unearned premiums	48,265	(48,265)	-	-	-	-
Reinsurers' share of outstanding claims	7,221	(7,221)	-	-	-	-
Reinsurers' share of claims incurred but not reported	12,602	(12,602)	-	-	-	-
Reinsurance contract assets	-	27,256	899	-	-	28,155
Deferred policy acquisition costs	264,931	(264,931)	-	-	-	-
Term deposits	6,408,489	-	-	-	(1,641)	6,406,848
Investments	3,374,302	-	-	(3,374,302)	-	-
Financial assets at amortised cost – net	-	-	-	526,326	(138)	526,188
Financial assets at fair value	-	-	-	2,852,234	-	2,852,234
Prepaid expenses and other assets	147,763	262,725	4,289	(4,258)	-	410,519
Fixtures, furniture and equipment – net	63,643	-	-	-	-	63,643
Deferred tax asset	40,151	-	120	-	240	40,511
Due from related parties	-	3,316	-	-	-	3,316
Right-of-use assets – net	165,947	-	-	-	-	165,947
Intangible assets – net	65,413	-	-	-	-	65,413
Statutory deposit	150,000	-	-	-	(39)	149,961
Accrued income on statutory deposit	16,235	-	-	-	-	16,235
Goodwill	98,000	-	-	-	-	98,000
TOTAL ASSETS	**14,310,442**	**(2,198,905)**	**5,308**	**-**	**(1,914)**	**12,114,931**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of financial position as at 31 December 2022 (continued)

	31 December 2022 (Unaudited)					
		IFRS 17		IFRS 9		
	Pre-adoption of IFRS 17 & IFRS 9	Reclassification	Remeasurement	Reclassification	Remeasurement	Post adoption of IFRS 17 & IFRS 9
LIABILITIES						
Accrued and other liabilities	871,560	(340,845)	-	-	-	530,715
Insurance contract liabilities	-	6,602,801	96,384	-	-	6,699,185
Reinsurance contract liabilities	-	2,605	-	-	-	2,605
Lease liability	184,682	-	-	-	-	184,682
Insurance operations' surplus payable	208,021	(208,021)	-	-	-	-
Reinsurers' balances payable	2,605	(2,605)	-	-	-	-
Unearned premiums	5,695,725	(5,695,725)	-	-	-	-
Outstanding claims	601,366	(601,366)	-	-	-	-
Claims incurred but not reported	1,867,017	(1,867,017)	-	-	-	-
Premium deficiency reserve	22,982	(22,982)	-	-	-	-
Claims handling reserve	23,470	(23,470)	-	-	-	-
Due to related parties	42,280	(42,280)	-	-	-	-
Provision for end-of-service benefits	154,054	-	-	-	-	154,054
Provision for zakat and income tax	326,566	-	-	-	-	326,566
Accrued income payable to Insurance Authority	16,235	-	-	-	-	16,235
TOTAL LIABILITIES	**10,016,563**	**(2,198,905)**	**96,384**	**-**	**-**	**7,914,042**
EQUITY						
Share capital	1,500,000	-	-	-	-	1,500,000
Statutory reserve	1,164,724	-	-	-	-	1,164,724
Share based payments reserve	54,268	-	-	-	-	54,268
Shares held under employees share scheme	(78,235)	-	-	-	-	(78,235)
Retained earnings	1,709,186	-	(91,076)	26,015	(2,534)	1,641,591
Re-measurement reserve for end-of-service benefits	(7,043)	-	-	-	-	(7,043)
Investments fair value reserve	(49,021)	-	-	(26,015)	620	(74,416)
TOTAL EQUITY	**4,293,879**	**-**	**(91,076)**	**-**	**(1,914)**	**4,200,889**
TOTAL LIABILITIES AND EQUITY	**14,310,442**	**(2,198,905)**	**5,308**	**-**	**(1,914)**	**12,114,931**

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of income for the year ended 31 December 2022

Reclassification impact on consolidated statement of income on adoption of IFRS 17

The line-item descriptions in the consolidated statement of income have been changed significantly compared with prior year. Previously, the Group reported the following line items:

- Gross premiums written
- Reinsurance premiums ceded – Local
- Reinsurance premiums ceded – International
- Changes in unearned premiums – net
- Gross claims paid
- Reinsurers' share of claims paid
- Changes in outstanding claims
- Changes in claims incurred but not reported
- Changes in premium deficiency reserve
- Changes in claims handling reserves
- Reinsurance share of changes in outstanding claims
- Reinsurance share of changes in claims incurred but not reported
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses
- Selling and marketing expenses
- Other income – net
- Income attributed to the insurance operations

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Net expenses from reinsurance contracts held
- Other operating expenses

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Remeasurement impact on consolidated statement of comprehensive income on adoption of IFRS 17 for the year ended 31 December 2022

The remeasurement impact in the consolidated statement of income on adoption of IFRS 17 is on account of the following:

Drivers of Changes	Year ended 31 December 2022
Risk adjustment	**(22,729)**
Loss component on onerous contract	**(32,750)**
Expected premium adjustment	**(5,672)**

Reclassification impact on consolidated statement of comprehensive income on adoption of IFRS 9 for the year ended 31 December 2022

- Net impairment loss under IFRS 9 is disclosed separately on the statement of income. Under IAS 39, impairment loss was disclosed as part of investment income.
- Investment income on financial assets at amortised costs and on financial assets at fair value are shown separately on the statement of income instead of presented previously as one line item.
- Under IAS 39, changes in the fair value of both investment in debt instruments and investment in equity instruments classified as available-for-sale were shown together on the statement of comprehensive income for the year ended 31 December 2022. On transition to IFRS 9, the net fair value loss of SR 294.6 million was reclassified from “changes in available-for-sale investments” and shown separately as fair value loss of SR 192.1 million on equity instruments and a fair value loss of SR 102.5 million on debt instruments. Those instruments have been reclassified from available for sale to financial assets at FVOCI on transition.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of income for the year ended 31 December 2022

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
REVENUES						
Gross premiums written	13,896,883	(13,896,883)	-	-	-	-
Reinsurance premiums ceded – Local	(175)	175	-	-	-	-
Reinsurance premiums ceded – International	(94,107)	94,107	-	-	-	-
Net premiums written	13,802,601	(13,802,601)	-	-	-	-
Changes in unearned premiums – net	(965,840)	965,840	-	-	-	-
Net premiums earned	12,836,761	(12,836,761)	-	-	-	-
Other revenues	42,633	-	-	-	-	42,633
Total revenues	12,879,394	(12,836,761)	-	-	-	42,633
Insurance revenue	-	12,878,783	(5,672)	-	-	12,873,111
Insurance service expense	-	(12,150,337)	(55,696)	-	-	(12,206,033)
Net expenses from reinsurance contracts held	-	(29,667)	217	-	-	(29,450)
Net insurance service result	-	698,779	(61,151)	-	-	637,628
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	(10,565,431)	10,565,431	-	-	-	-
Reinsurers' share of claims paid	39,497	(39,497)	-	-	-	-
Net claims paid	(10,525,934)	10,525,934	-	-	-	-
Changes in outstanding claims	(198)	198	-	-	-	-
Changes in claims incurred but not reported	(453,129)	453,129	-	-	-	-
Changes in premium deficiency reserve	51,620	(51,620)	-	-	-	-
Changes in claims handling reserves	(1,673)	1,673	-	-	-	-
Reinsurance share of changes in outstanding claims	14	(14)	-	-	-	-
Reinsurance share of changes in claims incurred but not reported	4,773	(4,773)	-	-	-	-
Net claims incurred	(10,924,527)	10,924,527	-	-	-	-
Policy acquisition costs	(578,156)	578,156	-	-	-	-
Other costs	(16,378)	-	-	-	-	(16,378)
Total underwriting costs and expenses	(11,519,061)	11,502,683	-	-	-	(16,378)

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of income for the year ended 31 December 2022 (continued)

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	IFRS 17		IFRS 9		Post adoption of IFRS 17 & IFRS 9
		Reclassification	Remeasurement	Reclassification	Remeasurement	
Investment income on financial assets at amortised cost – net	-	-	-	167,197	-	167,197
Investment income on financial assets at fair value	-	-	-	385,793	829	386,622
Net impairment loss on financial assets	-	-	-	-	(1,685)	(1,685)
NET UNDERWRITING INCOME	1,360,333	(635,299)	(61,151)	552,990	(856)	1,216,017
Other operating income / (expenses)						
Allowance for doubtful receivables	(40,885)	40,885	-	-	-	-
General and administrative expenses	(667,145)	667,145	-	-	-	-
Selling and marketing expenses	(135,975)	135,975	-	-	-	-
Investment income – net	552,990	-	-	(552,990)	-	-
Other income – net	22,866	(22,866)	-	-	-	-
Total other operating income / (expenses)	(268,149)	821,139	-	(552,990)	-	-
Income before surplus, zakat & income tax	1,092,184	185,840	(61,151)	-	(856)	1,216,017
Income attributed to the insurance operations (transfer to surplus payable)	(65,303)	65,303	-	-	-	-
Other operating expenses	-	(251,143)	-	-	4,289	(246,854)
Income attributed to the shareholders before zakat and income tax	1,026,881	-	(61,151)	-	3,433	969,163
Zakat charge	(72,938)	-	-	-	-	(72,938)
Income tax charge	(91,374)	-	-	-	266	(91,108)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	862,569	-	(61,151)	-	3,699	805,117

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Reconciliation of consolidated statement of comprehensive income for the year ended 31 December 2022

	31 December 2022					
	Pre-adoption of IFRS 17 & IFRS 9	**IFRS 17**		**IFRS 9**		**Post adoption of IFRS 17 & IFRS 9**
		Reclassification	**Remeasurement**	**Reclassification**	**Remeasurement**	
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	862,569	-	(61,151)	-	3,699	805,117
Other comprehensive income / (loss)						
A. Items that will not be reclassified to consolidated statement of income in subsequent years						
Actuarial gains on end-of-service benefits	16,595	-	-	-	-	16,595
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-	-	(192,175)	1,450	(190,725)
B. Items that are or may be reclassified to consolidated statements of income in subsequent years						
Net changes in fair value of available-for-sale investments	(294,629)	-	-	294,629	-	-
Net changes in fair value of investments measured at FVOCI – debt instrument	-	-	-	(102,454)	(2,279)	(104,733)
Net changes in allowance for expected credit losses of FVOCI – debt instruments	-	-	-	-	344	344
Total other comprehensive loss	(278,034)	-	-	-	(485)	(278,519)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	584,535	-	(61,151)	-	3,214	526,598

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

4. EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (continued)

Details of (decrease) / increase in the retained earnings resulting from transition to IFRS 17 and IFRS 9 are as follows:

	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for end-of-service benefits	Investments fair value reserve	Total equity
1 January 2022 (previously reported)	**1,200,000**	**992,210**	**43,500**	**(53,356)**	**1,790,700**	**(23,638)**	**245,608**	**4,195,024**
Reclassifications under IFRS 9	-	-	-	-	25,187	-	(25,187)	-
Recognition of expected credit losses under IFRS 9	-	-	-	-	(1,089)	-	277	(812)
Deferred tax adjustment related to IFRS 9	-	-	-	-	94	-	-	94
Remeasurement under IFRS 17	-	-	-	-	(34,335)	-	-	(34,335)
1 January 2022 (restated)	**1,200,000**	**992,210**	**43,500**	**(53,356)**	**1,780,557**	**(23,638)**	**220,698**	**4,159,971**
31 December 2022 (previously reported)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,709,186**	**(7,043)**	**(49,021)**	**4,293,879**
Reclassifications under IFRS 9	-	-	-	-	26,015	-	(26,015)	-
Recognition of expected credit losses under IFRS 9	-	-	-	-	(2,774)	-	620	(2,154)
Deferred tax adjustment related to IFRS 9	-	-	-	-	240	-	-	240
Deferred tax adjustment related to IFRS 17	-	-	-	-	120	-	-	120
Remeasurement under IFRS 17	-	-	-	-	(91,196)	-	-	(91,196)
31 December 2022 (restated)	**1,500,000**	**1,164,724**	**54,268**	**(78,235)**	**1,641,591**	**(7,043)**	**(74,416)**	**4,200,889**

Reclassification adjustment under IFRS 9 relates to reclassification of equity instruments as FVTPL which were classified as available for sales under IAS 39. Refer to note above for explanation of impact.

Other reclassifications

As at 31 December 2022, the order of presentation of Goodwill and deferred tax assets on the consolidated statement of financial position amounting to SR 98 million and SR 40.151 million respectively, were rearranged to reflect a better presentation in terms of order of liquidity. In prior years, fair value reserves of investments classified as available-for-sale were disaggregated and presented separately between policyholders' operation and shareholders' operation SR 25.054 million and SR 23.967 million on the consolidated statement of financial position and on the consolidated statement of changes in equity respectively. Similarly, the changes in the fair values of those investments were disaggregated and presented separately between policyholders' operation and shareholders' operation on the consolidated statement of comprehensive income. This has now been combined and presented as one line item on the statement of financial position and the statement of changes in equity. Changes in the fair values of those investments are now presented as one line item on the statement of comprehensive income and on the statement of changes in equity.

5. 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 2023. The recoverable amount of operations has been determined based on value in use. 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 below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the Company operates. The goodwill is allocated to the corporate segment of the Company. The three key assumptions used in the test are the discount rate, estimated future cash flows from the business and insurance service revenue and expense growth rates as follows:

- An average discount rate of 12% (2022: 12%) was used to discount future cash flows.
- Insurance service revenue average growth rate of 9.8% was used for the first three years. Thereafter, a growth rate of 3% (2022: 3%) was used in the terminal value calculation.
- Insurance service expense average growth rate of 9.9% was used for the first three years. Thereafter, a growth rate of 3% (2022: 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 insurance service revenue growth rate by +/- 3% basis point with other variables held constant would not result in impairment of goodwill.
- A change in insurance service expense growth rate by +/- 3% basis point with other variables held constant would not result in impairment of goodwill.
- A change in terminal growth rate by +/- 3% basis point with other variables held constant would not result in impairment of goodwill.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 December 2023		
	Insurance operations	**Shareholders' operations**	**Total**
Bank balances	**897,625**	**358,651**	**1,256,276**
Less: Impairment allowance	**(300)**	**(80)**	**(380)**
	897,325	**358,571**	**1,255,896**

	31 December 2022		
	Insurance operations	Shareholders' operations	Total
Bank balances	649,270	639,027	1,288,297
Less: Impairment allowance	(173)	(163)	(336)
	649,097	638,864	1,287,961

	1 January 2022		
	Insurance operations	Shareholders' operations	Total
Bank balances	430,300	30,067	460,367
Term deposits	500,391	-	500,391
Less: Impairment allowance	(168)	(5)	(173)
	930,523	30,062	960,585

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the year ended 31 December 2023, the insurance operations transferred cash of SR 261 million to the shareholders' operations (31 December 2022: SR 61 million).

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS

	Note	31 December 2023	31 December 2022
Insurance contract liabilities			
Corporate	7.1 a	**7,097,020**	5,729,150
SMEs and others	7.1 b	**1,170,176**	970,035
		8,267,196	6,699,185
Reinsurance contract assets	7.2	**74,090**	28,155
Reinsurance contract liabilities	7.2	**-**	2,605

7.1 Analysis by remaining coverage and incurred claims for insurance contracts

a. Corporate

	31 December 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening insurance contract liabilities	**3,083,652**	**61,561**	**2,486,425**	**97,512**	**5,729,150**
Insurance revenue	**(13,917,361)**	**-**	**-**	**-**	**(13,917,361)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	**-**	**-**	**13,001,338**	**111,151**	**13,112,489**
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	**-**	**-**	**(268,952)**	**(88,039)**	**(356,991)**
Reversal of onerous contract	**-**	**(61,561)**	**-**	**-**	**(61,561)**
Insurance acquisition cash flows amortization	**638,054**	**-**	**-**	**-**	**638,054**
Insurance service expenses	**638,054**	**(61,561)**	**12,732,386**	**23,112**	**13,331,991**
Insurance service result	**(13,279,307)**	**(61,561)**	**12,732,386**	**23,112**	**(585,370)**
Cash flows					
Premiums received	**14,710,090**	**-**	**-**	**-**	**14,710,090**
Claims and other directly attributable expenses paid	**-**	**-**	**(12,035,863)**	**-**	**(12,035,863)**
Insurance acquisition cash flows paid	**(720,987)**	**-**	**-**	**-**	**(720,987)**
Total cash flows	**13,989,103**	**-**	**(12,035,863)**	**-**	**1,953,240**
Closing insurance contract liabilities	**3,793,448**	**-**	**3,182,948**	**120,624**	**7,097,020**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

b. SMEs and others

	31 December 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening insurance contract liabilities	**602,662**	**-**	**354,862**	**12,511**	**970,035**
Insurance revenue	**(1,970,354)**	**-**	**-**	**-**	**(1,970,354)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	**-**	**-**	**1,612,229**	**13,111**	**1,625,340**
Losses on onerous contracts	**-**	**-**	**-**	**-**	**-**
Changes that relate to past service - adjustments to the LIC	**-**	**-**	**(60,042)**	**(11,479)**	**(71,521)**
Reversal of onerous contract	**-**	**-**	**-**	**-**	**-**
Insurance acquisition cash flows amortization	**108,622**	**-**	**-**	**-**	**108,622**
Insurance service expenses	**108,622**	**-**	**1,552,187**	**1,632**	**1,662,441**
Insurance service result	**(1,861,732)**	**-**	**1,552,187**	**1,632**	**(307,913)**
Cash flows					
Premiums received	**2,103,653**	**-**	**-**	**-**	**2,103,653**
Claims and other directly attributable expenses paid	**-**	**-**	**(1,469,798)**	**-**	**(1,469,798)**
Insurance acquisition cash flows paid	**(125,801)**	**-**	**-**	**-**	**(125,801)**
Total cash flows	**1,977,852**	**-**	**(1,469,798)**	**-**	**508,054**
Closing insurance contract liabilities	**718,782**	**-**	**437,251**	**14,143**	**1,170,176**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

a. Corporate

	31 December 2022				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening insurance contract liabilities	2,577,740	80,432	2,128,730	82,099	4,869,001
Insurance revenue	(11,263,622)	-	-	-	(11,263,622)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	10,651,423	95,222	10,746,645
Losses on onerous contracts and reversal of those losses	-	(18,871)	-	-	(18,871)
Changes that relate to past service - adjustments to the LIC	-	-	(348,810)	(79,809)	(428,619)
Insurance acquisition cash flows amortization	490,636	-	-	-	490,636
Insurance service expenses	490,636	(18,871)	10,302,613	15,413	10,789,791
Insurance service result	(10,772,986)	(18,871)	10,302,613	15,413	(473,831)
Cash flows					
Premiums received	11,818,974	-	-	-	11,818,974
Claims and other directly attributable Expenses paid	-	-	(9,944,918)	-	(9,944,918)
Insurance acquisition cash flows paid	(540,076)	-	-	-	(540,076)
Total cash flows	11,278,898	-	(9,944,918)	-	1,333,980
Closing insurance contract liabilities	3,083,652	61,561	2,486,425	97,512	5,729,150

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

b. SMEs and others

	31 December 2022				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	Total
Insurance contracts issued:					
Opening insurance contract liabilities	515,330	-	202,760	7,254	725,344
Insurance revenue	(1,609,489)	-	-	-	(1,609,489)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	1,335,956	12,249	1,348,205
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(12,491)	(6,992)	(19,483)
Insurance acquisition cash flows amortization	87,520	-	-	-	87,520
Insurance service expenses	87,520	-	1,323,465	5,257	1,416,242
Insurance service result	(1,521,969)	-	1,323,465	5,257	(193,247)
Cash flows					
Premiums received	1,707,240	-	-	-	1,707,240
Claims and other directly attributable Expenses paid	-	-	(1,171,363)	-	(1,171,363)
Insurance acquisition cash flows paid	(97,939)	-	-	-	(97,939)
Total cash flows	1,609,301	-	(1,171,363)	-	437,938
Closing insurance contract liabilities	602,662	-	354,862	12,511	970,035

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

	31 December 2023				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	**(2,669)**	**-**	**(24,585)**	**(901)**	**(28,155)**
Opening reinsurance contract liabilities	**2,605**	**-**	**-**	**-**	**2,605**
Net opening balance	**(64)**	**-**	**(24,585)**	**(901)**	**(25,550)**
Reinsurance expense	**151,740**	**-**	**-**	**-**	**151,740**
Claims recovered and other directly attributable expenses	**-**	**-**	**(131,077)**	**(1,740)**	**(132,817)**
Changes that relate to past service - adjustments to the asset for incurred claims	**-**	**-**	**8,903**	**420**	**9,323**
Net expense from reinsurance contracts held	**151,740**	**-**	**(122,174)**	**(1,320)**	**28,246**
Cash flows					
Premiums ceded	**(173,061)**	**-**	**-**	**-**	**(173,061)**
Recoveries from reinsurance	**-**	**-**	**96,275**	**-**	**96,275**
Total cash flows	**(173,061)**	**-**	**96,275**	**-**	**(76,786)**
Closing reinsurance contract assets	**(21,385)**	**-**	**(50,484)**	**(2,221)**	**(74,090)**
Closing reinsurance contract liabilities	**-**	**-**	**-**	**-**	**-**
Net closing balance	**(21,385)**	**-**	**(50,484)**	**(2,221)**	**(74,090)**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

7. INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Analysis by remaining coverage and incurred claims for reinsurance contracts (continued)

	31 December 2022				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	(8,263)	-	(50,166)	(683)	(59,112)
Opening reinsurance contract liabilities	25,397	-	-	-	25,397
Net opening balance	17,134	-	(50,166)	(683)	(33,715)
Reinsurance expense	73,952	-	-	-	73,952
Claims recovered and other directly attributable expenses	-	-	(59,001)	(887)	(59,888)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	14,717	669	15,386
Net expense from reinsurance contracts held	73,952	-	(44,284)	(218)	29,450
Cash flows					
Premiums ceded	(91,150)	-	-	-	(91,150)
Recoveries from reinsurance	-	-	69,865	-	69,865
Total cash flows	(91,150)	-	69,865	-	(21,285)
Closing reinsurance contract assets	(2,669)	-	(24,585)	(901)	(28,155)
Closing reinsurance contract liabilities	2,605	-	-	-	2,605
Net closing balance	(64)	-	(24,585)	(901)	(25,550)

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Financial assets at amortised cost, net	**294,764**	**292,596**	**587,360**	252,279	273,909	526,188	100,718	232,848	333,566
Financial assets at fair value	**1,947,087**	**2,299,670**	**4,246,757**	1,033,101	1,819,133	2,852,234	2,499,429	2,873,094	5,372,523
	2,241,851	**2,592,266**	**4,834,117**	1,285,380	2,093,042	3,378,422	2,600,147	3,105,942	5,706,089

Details of investments classified as financial assets at fair value are as follows:

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Investments at FVTPL	**46,361**	**422,328**	**468,689**	132,543	345,164	477,707	1,844,958	1,865,797	3,710,755
Investments at FVOCI – Equity	**-**	**522,405**	**522,405**	-	439,487	439,487	-	409,068	409,068
Investments at FVOCI – Debt	**1,900,726**	**1,354,937**	**3,255,663**	900,558	1,034,482	1,935,040	654,471	598,229	1,252,700
	1,947,087	**2,299,670**	**4,246,757**	1,033,101	1,819,133	2,852,234	2,499,429	2,873,094	5,372,523

(i) Investments measured at FVTPL comprise of the following:

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**11,014**	**36,044**	**47,058**	11,014	36,044	47,058	18,014	55,044	73,058
Funds	**35,347**	**376,298**	**411,645**	121,529	292,560	414,089	1,826,944	1,539,624	3,366,568
Equity	**-**	**9,986**	**9,986**	-	16,560	16,560	-	271,129	271,129
	46,361	**422,328**	**468,689**	132,543	345,164	477,707	1,844,958	1,865,797	3,710,755

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS (continued)

(ii) Investments at FVOCI – Debt comprise of the following:

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**1,900,726**	**1,354,937**	**3,255,663**	900,558	1,034,482	1,935,040	654,471	598,229	1,252,700
	1,900,726	**1,354,937**	**3,255,663**	900,558	1,034,482	1,935,040	654,471	598,229	1,252,700

(iii) Investments at FVOCI – Equity comprise of the following:

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Equity	**-**	**58,774**	**58,774**	-	52,481	52,481	-	58,070	58,070
Sukuks	**-**	**410,444**	**410,444**	-	343,764	343,764	-	300,809	300,809
Investments in discretionary portfolios	**-**	**53,187**	**53,187**	-	43,242	43,242	-	50,189	50,189
	-	**522,405**	**522,405**	-	439,487	439,487	-	409,068	409,068

(iv) Investments at amortized cost comprise of the following:

	31 December 2023			31 December 2022			1 January 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	**294,843**	**292,678**	**587,521**	252,344	273,982	526,326	100,736	232,890	333,626
Impairment allowance on investments at amortised cost	**(79)**	**(82)**	**(161)**	(65)	(73)	(138)	(18)	(42)	(60)
	294,764	**292,596**	**587,360**	252,279	273,909	526,188	100,718	232,848	333,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2023
(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS (continued)

The movements in the investments, excluding loss allowance, are as follows:

	31 December 2023			31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	**1,285,445**	**2,093,115**	**3,378,560**	2,600,165	3,105,984	5,706,149
Purchased during the year	**1,669,634**	**753,008**	**2,422,642**	4,482,471	4,383,346	8,865,817
Disposed during the year	**(765,380)**	**(295,242)**	**(1,060,622)**	(5,777,805)	(5,412,545)	(11,190,350)
Unrealized gains / (losses) during the year, net	**49,361**	**39,303**	**88,664**	(21,730)	14,416	(7,314)
Accrued interest	**2,870**	**2,164**	**5,034**	2,344	1,914	4,258
	2,241,930	**2,592,348**	**4,834,278**	1,285,445	2,093,115	3,378,560

Movement in loss allowance for investments at amortised cost and FVOCI debt instruments for the year is as follows:

	31 December 2023				31 December 2022			
	Stage 1 12-month ECL	**Stage 2 ECL not Credit impaired**	**Stage 3 Lifetime ECL credit impaired**	**Total**	Stage 1 12-month ECL	Stage 2 ECL not Credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Balance at the beginning of the year	**138**	**-**	**-**	**138**	60	-	-	60
Charge during the year	**23**	**-**	**-**	**23**	78	-	-	78
	161	**-**	**-**	**161**	138	-	-	138

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS (continued)

Details on investment income for the year are as follows:

	31 December 2023			31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Income on financial assets at fair value						
Commission income on investments at fair value	**58,614**	**73,764**	**132,378**	24,290	38,753	63,043
Dividend income on investments at fair value	**2,473**	**27,216**	**29,689**	7,143	34,483	41,626
Gains / (losses) on investments at fair value	**11,542**	**(10,184)**	**1,358**	20,223	261,730	281,953
	72,629	**90,796**	**163,425**	51,656	334,966	386,622
Income on financial assets at amortised cost and term deposits						
Commission income on investments at amortized cost	**233,985**	**116,423**	**350,408**	103,241	63,804	167,045
Gains on investments at amortized cost	**-**	**228**	**228**	-	152	152
	233,985	**116,651**	**350,636**	103,241	63,956	167,197
	306,614	**207,447**	**514,061**	154,897	398,922	553,819

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

9. TERM DEPOSITS

The 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 from more than three-month to more than one year and yield financial income at rates ranging from 1.55% to 6.40% per annum (2022: 1.10% to 5.85% per annum). The movements in term deposits during the year ended 31 December 2023 as follows:

	31 December 2023		
	Insurance operations	**Shareholders' Operations**	**Total**
Balance at the beginning of the year before loss allowance	**4,753,100**	**1,655,389**	**6,408,489**
Placed during the year	**3,534,871**	**800,000**	**4,334,871**
Matured during the year	**(3,127,255)**	**(677,545)**	**(3,804,800)**
Commission income earned during the year	**197,712**	**88,700**	**286,412**
Less: loss allowance	**(1,460)**	**(501)**	**(1,961)**
	5,356,968	**1,866,043**	**7,223,011**

	31 December 2022		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year before loss allowance	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
Less: loss allowance	(1,217)	(424)	(1,641)
	4,751,883	1,654,965	6,406,848

Movement in loss allowance for term deposits for the year is as follows:

	31 December 2023		
	Insurance operations	**Shareholders' Operations**	**Total**
Balance at the beginning of the year	**1,217**	**424**	**1,641**
Provision made during the year	**243**	**77**	**320**
Balance at end of the year	**1,460**	**501**	**1,961**

	31 December 2022		
	Insurance operations	Shareholders' Operations	Total
Balance at the beginning of the year	362	195	557
Provision made during the year	855	229	1,084
Balance at end of the year	1,217	424	1,641

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

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**
			31 December 2023			
Cost:						
At 1 January 2023	**87,538**	**69,056**	**404**	**40,900**	**7,021**	**204,919**
Additions during the year	**39**	**21**	**-**	**-**	**22,345**	**22,405**
Transferred during the year	**1,639**	**4,591**	**-**	**19,331**	**(25,561)**	**-**
Disposals during the year	**(161)**	**(9,676)**	**-**	**-**	**-**	**(9,837)**
At 31 December 2023	**89,055**	**63,992**	**404**	**60,231**	**3,805**	**217,487**
Accumulated depreciation:						
At 1 January 2023	**(72,924)**	**(52,070)**	**(363)**	**(15,919)**	**-**	**(141,276)**
Charge for the year	**(4,424)**	**(6,396)**	**(41)**	**(5,308)**	**-**	**(16,169)**
Disposal during the year	**161**	**9,676**	**-**	**-**	**-**	**9,837**
At 31 December 2023	**(77,187)**	**(48,790)**	**(404)**	**(21,227)**	**-**	**(147,608)**
Net book value:						
At 31 December 2023	**11,868**	**15,202**	**-**	**39,004**	**3,805**	**69,879**

	Office, furniture, and fixtures	Computer Equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
			31 December 2022			
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 during the year	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

10.2 RIGHT-OF-USE ASSETS

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

	31 December 2023	31 December 2022
At 1 January	**165,947**	112,616
Additions during the year	**-**	74,350
Amortisation during the year	**(22,559)**	(21,019)
At 31 December	**143,388**	165,947

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

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

10.2 RIGHT-OF-USE ASSETS (continued)

The Company leases various buildings for offices. Rental contracts are typically made for one year with extension options. There is no non-lease components in the contracts. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. For leases of office buildings, management concluded that it was reasonably certain to extend the lease beyond 1 year, taking into account the leasehold improvements in the premises, historical lease durations and the costs and business disruption required to change premises.

11. INTANGIBLE ASSETS

	Software	**Capital work in progress**	**Total**
		31 December 2023	
Cost:			
At 1 January 2023	**179,209**	**9,819**	**189,028**
Additions during the year	**2,377**	**16,475**	**18,852**
Transfers during the year	**8,197**	**(8,197)**	**-**
Disposals during the year	**(352)**	**-**	**(352)**
At 31 December 2023	**189,431**	**18,097**	**207,528**
Accumulated amortisation:			
At 1 January 2023	**(123,615)**	**-**	**(123,615)**
Charge for the year	**(17,029)**	**-**	**(17,029)**
Disposals during the year	**352**	**-**	**352**
At 31 December 2023	**(140,292)**	**-**	**(140,292)**
Net book value:			
At 31 December 2023	**49,139**	**18,097**	**67,236**

	Software	Capital work in progress	Total
		31 December 2022	
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

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

12. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	31 December 2023			31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
VAT receivables	**335,302**	**-**	**335,302**	271,778	-	271,778
Prepaid expenses	**79,133**	**-**	**79,133**	56,515	-	56,515
Fee receivable	**-**	**17,548**	**17,548**	-	53,164	53,164
Accrued income	**18,171**	**15,950**	**34,121**	9,107	12,844	21,951
Other receivables	**6,777**	**2,594**	**9,371**	6,890	221	7,111
	439,383	**36,092**	**475,475**	344,290	66,229	410,519

13. 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, in a bank designated by SAMA. Accrued income on this deposit is payable to Insurance Authority amounting to SR 8.69 million (31 December 2022: SR 16.24 million and 1 January 2022: SR14.89 million) and this deposit cannot be withdrawn without approval from SAMA. As requested by SAMA, the Group has released the accrued income on statutory deposit to SAMA up to 31 December 2022 amounting to SR 16.24 million. The statutory deposit is shown on the statement of financial position net of impairment allowance.

14. FIDUCIARY ASSETS

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

In order to fulfil the commitment relating to this agreement, the Group receives 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 related payables at the reporting date, are excluded from the consolidated statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 424 million as of 31 December 2023 (31 December 2022: SR 259 million and 31 December 2021: SR 260 million).

15. 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 of 31 December 2023.

ii) As of 31 December 2023, total letters of guarantee issued by banks amounted to SR 161 million (31 December 2022: SR 140 million).

iii) Refer to Note 22 for zakat and tax related matters.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

16. ACCRUED AND OTHER LIABILITIES AND LEASE LIABILITY

16.1 Accrued and other liabilities comprise of the following:

	31 December 2023			31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
VAT payable	**178,784**	**-**	**178,784**	116,159	-	116,159
VAT payable to providers	**472,518**	**-**	**472,518**	356,059	-	356,059
Accrued expenses	**34,944**	**11,085**	**46,029**	26,588	9,199	35,787
Other liabilities	**37,528**	**-**	**37,528**	22,710	-	22,710
	723,774	**11,085**	**734,859**	521,516	9,199	530,715

16.2 Lease liability

As of 31 December 2023, lease liability amounted SR 166 million (2022: SR 184.7 million). Below is the movement during the year:

	31 December 2023	31 December 2022
Balance at the beginning of the year	**184,682**	125,333
Finance cost	**6,065**	6,287
Additions during the year	**-**	74,350
Lease payments (total cash outflows)	**(24,681)**	(21,288)
	166,066	184,682

17. 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 39.2 million (2022: SR 32.1 million) payable to a related party has been accrued for during the year (see notes 21 and 26).

18. 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:

18.1 Movement of end-of-service benefits

	2023	2022
Balance at the beginning of the year	**154,054**	152,286
Consolidated statement of income		
Current service costs	**24,552**	21,940
Finance costs	**7,012**	3,859
Consolidated statement of comprehensive income		
Actuarial losses / (gains)	**6,655**	(16,595)
Cash movement		
Benefits paid during the year	**(5,786)**	(7,436)
Balance at the end of the year	**186,487**	154,054

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

18. EMPLOYEES' END OF SERVICE BENEFITS (continued)

18.2 Principal actuarial assumptions

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

	2023	2022
Valuation discount rate	**4.75%**	4.70%
Expected rate of increase in salary level across different age bands	**4.50%**	4.50%
Employee turnover rate	**8.95%**	10.5%
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:

	2023	2022
Valuation discount rate		
- Increase by 0.5%	**7,265**	6,130
- Decrease by 0.5%	**(7,774)**	(6,568)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**(16,048)**	(13,554)
- Decrease by 1%	**14,277**	12,027
Mortality rate		
- Increase by 50%	**(48)**	(35)
- Decrease by 50%	**49**	35
Employee turnover		
- Increase by 20%	**1,408**	1,430
- Decrease by 20%	**(1,320)**	(1,358)

The average duration of the employees' end-of-service benefits at the end of the reporting period is 9.2 years (2022: 9.4 years). The total expected payments of the liability, undiscounted, amount to SR 258 million (2022: SR 215 million) out of which SR 24.2 million (2022: SR 20.3 million) are expected to be paid within the next 12 months.

19. 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 and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value (financial assets and liabilities at amortised cost) as the carrying amount is a reasonable approximation to fair value.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b) Carrying amounts and fair value (continued)

	Fair value				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying value**
31 December 2023					
Financial assets measured at fair value:					
- Investment at FVTPL	**17,194**	**392,780**	**58,715**	**468,689**	**468,689**
- Investment at FVOCI – Debt	**2,733,619**	**522,044**	**-**	**3,255,663**	**3,255,663**
- Investment at FVOCI – Equity	**522,405**	**-**	**-**	**522,405**	**522,405**
	3,273,218	**914,824**	**58,715**	**4,246,757**	**4,246,757**

	Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
31 December 2022					
Financial assets measured at fair value:					
- Investment at FVTPL	15,823	390,752	71,132	477,707	477,707
- Investment at FVOCI – Debt	1,331,957	603,083	-	1,935,040	1,935,040
- Investment at FVOCI – Equity	439,487	-	-	439,487	439,487
	1,787,267	993,835	71,132	2,852,234	2,852,234

	Fair value				
	Level 1	Level 2	Level 3	Total	Carrying value
1 January 2022					
Financial assets measured at fair value:					
- Investment at FVTPL	284,668	3,403,964	22,123	3,710,755	3,710,755
- Investment at FVOCI – Debt	607,067	645,633	-	1,252,700	1,252,700
- Investment at FVOCI – Equity	409,068	-	-	409,068	409,068
	1,300,803	4,049,597	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 3 fair value at 31 December 2023 and 31 December 2022, as well as the significant unobservable inputs used. The fair value used for valuation of Level 2 Sukuks and mutual funds are based on prices quoted on reliable and third-party sources including Reuters, Bloomberg, etc. Management believes that the fair values of the Company's financial assets and liabilities as at 31 December 2023 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Mutual funds	Mutual funds classified as Level 3 are fair valued based on the latest available NAV adjusted for the fair value which are not observable.	Fair value of underlying assets	The estimated fair value will increase / decrease directly in line with the change in fair value of underlying assets.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value (continued)

Movement of level 3 instruments:

	31 December 2023	31 December 2022
Opening fair value	**71,132**	22,123
Additions in level 3 investments	**-**	47,786
Disposals of level 3 investments	**-**	-
Fair value gain / (loss) – net	**(12,417)**	1,223
Closing fair value	**58,715**	71,132

Sensitivity analysis:

The impact of change in net assets value reported in level 3 on net income and total equity is as follows:

	31 December 2023	31 December 2022
+/- 5% change in net assets value	**+/- 2,936**	+/- 3,557

20. OPERATING SEGMENTS

The Group only issues short-term insurance contracts for providing health care services (‘medical insurance’). The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. 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 groups that are Corporate and Small and Medium Enterprises & Others (SME & Others). Corporate segment/customer represents members of large corporations, and all others are considered as SME & Others. 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.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

20. OPERATING SEGMENTS (continued)

Operating segments do not include shareholders' operations of the Group. Segment results do not include investment, other operating expenses, other revenues and other costs. Segment assets and liabilities only include the insurance and reinsurance contract liabilities and assets while the other accounts are not allocated. 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 2023		
Operating segments	**Corporate**	**SME & Others**	**Total**
ASSETS			
Asset for incurred claims	**52,705**	**-**	**52,705**
Asset for remaining coverage	**21,385**	**-**	**21,385**
Reinsurance contract assets	**74,090**		**74,090**
Unallocated assets			**14,364,261**
Total assets			**14,438,351**
LIABILITIES			
Liability for incurred claims	**3,303,572**	**451,394**	**3,754,966**
Liability for remaining coverage	**3,793,448**	**718,782**	**4,512,230**
Insurance contract liabilities	**7,097,020**	**1,170,176**	**8,267,196**
Reinsurance contract liabilities			**-**
Unallocated liabilities			**1,495,626**
Total liabilities			**9,762,822**

	31 December 2022		
Operating segments	Corporate	SME & Others	Total
ASSETS			
Asset for incurred claims	25,486	-	25,486
Asset for remaining coverage	2,669	-	2,669
Reinsurance contract assets	28,155		28,155
Unallocated assets			12,086,776
Total assets			12,114,931
LIABILITIES			
Liability for incurred claims	2,583,938	367,373	2,951,311
Liability for remaining coverage	3,145,212	602,662	3,747,874
Insurance contract liabilities	5,729,150	970,035	6,699,185
Reinsurance contract liabilities			2,605
Unallocated liabilities			1,212,252
Total liabilities			7,914,042

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

20. OPERATING SEGMENTS (continued)

	1 January 2022		
Operating segments	Corporate	SME & Others	Total
ASSETS			
Asset for incurred claims	50,849	-	50,849
Asset for remaining coverage	8,263	-	8,263
Reinsurance contract assets	59,112	-	59,112
Unallocated assets			10,566,286
Total assets			10,625,398
LIABILITIES			
Asset for incurred claims	2,210,829	210,014	2,420,843
Asset for remaining coverage	2,658,172	515,330	3,173,502
Insurance contract liabilities	4,869,001	725,344	5,594,345
Reinsurance contract liabilities			25,397
Unallocated liabilities			845,685
Total liabilities			6,465,427

	31 December 2023			31 December 2022		
	Corporate	**SME & Others**	**Total**	Corporate	SME & Others	Total
Insurance revenue	**13,917,361**	**1,970,354**	**15,887,715**	11,263,622	1,609,489	12,873,111
Insurance service expense	**(13,331,991)**	**(1,662,441)**	**(14,994,432)**	(10,789,791)	(1,416,242)	(12,206,033)
Net expenses from reinsurance contracts held	**(28,246)**	**-**	**(28,246)**	(29,450)	-	(29,450)
Net insurance service result	**557,124**	**307,913**	**865,037**	444,381	193,247	637,628
Investment income on financial assets at amortised cost			**350,636**			167,197
Investment income on financial assets at fair value			**163,425**			386,622
Net impairment loss on financial assets			**(785)**			(1,685)
Net insurance and investment results			**1,378,313**			1,189,762
Other operating expenses			**(316,813)**			(246,854)
Other revenue			**92,065**			42,633
Other costs			**(36,886)**			(16,378)
Income attributed to the shareholders before zakat and income tax			**1,116,679**			969,163
Zakat charge			**(80,237)**			(72,938)
Income tax charge			**(96,279)**			(91,108)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			**940,163**			805,117

The details of gross written premium are as follows:

	31 December 2023	31 December 2022
Corporates	**12,452,048**	10,252,338
Medium enterprises	**2,946,431**	2,543,347
Small enterprises	**1,092,783**	941,027
Micro enterprises	**135,276**	118,231
Individuals	**42,206**	41,940
	16,668,744	13,896,883

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

21. 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. Other related parties represent entities under common control and entities controlled by key management personnel of the Company. Contract pricing policies and terms are approved by the Group's management or where required and applicable the Group's Board of Directors. The due from and to balances of related parties are unsecured, interest free and repayable in cash on demand. Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The following are the details of the major related party transactions during the period and their related balances:

Related party	Nature of transaction	Amount of transactions during the year ended income / (expense)		Receivable/(payable) balance as at	
		31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Balances included in insurance contract liabilities					
Shareholders and other related parties*	Premium issued	**505,412**	231,255	**13,882**	607
Shareholders and other related parties*	Claims incurred	**(447,706)**	(148,628)	**(21,055)**	(17,725)
Shareholders	Medical costs charged by providers	**(288,064)**	(205,554)	**(20,418)**	(41,925)
				(27,591)	(59,043)
Balances included in reinsurance contract assets					
Shareholders	Reinsurance Premium ceded	**(175,533)**	(93,406)	**(50,674)**	(45,596)
Balances included in due (to)/from Related Parties					
Shareholders	Expenses recharged (to) / from a related party-net	**(1,720)**	(2,068)	**(788)**	2,200
Shareholders	Tax equalization – net	**-**	68,431	**-**	33,913
Shareholders	Board and committee member remuneration fees	**(920)**	(915)	**(920)**	(703)
Bupa Middle East Holdings Two W.L.L. (Affiliate)	Trademark fee	**(39,227)**	(32,094)	**(39,227)**	(32,094)
				(40,935)	3,316

*During the year ended 31 December 2023, premium issued related to shareholders amounts to SR 0.87 million (2022: SR 1.19 million) and claims paid related to shareholders amounts to SR 0.61 million (2022: SR 0.80 million).

*During the year ended 31 December 2023, premium issued related to 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 amounts to SR 505.54 million (2022: SR 230.06 million) and claims paid related to such entities amounts to SR 447.10 million (2022: SR 147.83 million).

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

21. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

a. Compensation to key management personnel

	31 December 2023	31 December 2022
Short-term benefits	**42,284**	29,245
Long-term benefits	**1,949**	1,455
Share based payment transactions	**14,942**	14,222
	59,175	44,922

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

b. Board of Directors' remuneration and related expenses

	31 December 2023	31 December 2022
Board of directors' remuneration	**3,800**	3,700
Board attendance fees	**457**	518
Other board and sub-committees expenses	**1,944**	1,514
	6,201	5,732

22. ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the year ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Current zakat charge	**80,237**	72,938
Current tax charge	**94,377**	91,790
Deferred tax charge (note 22.a)	**1,902**	(682)
	96,279	91,108
	176,516	164,046

a) The reconciliation of deferred tax is as follows:

	31 December 2023	31 December 2022
Opening deferred tax asset	**40,511**	39,829
Deferred tax (charge) / income	**(1,902)**	682
	38,609	40,511

The Group has recognised a deferred tax asset as it is probable that future taxable profits will be available and the credits can be utilised. The deferred tax arises mainly on provision for doubtful premium receivables and end of service benefits.

Movements in the Zakat and income tax accrued during the year ended 31 December 2023 and year ended 31 December 2022 respectively are as follows:

	Zakat payable	**Income tax Payable**	**Total 31 December 2023**
Balance at beginning of the year	**264,583**	**61,983**	**326,566**
Opening balance assumed through consolidation	**-**	**-**	**-**
Provided during the year	**80,237**	**94,377**	**174,614**
Payments during the year	**(15,742)**	**(126,849)**	**(142,591)**
Balance at end of the year	**329,078**	**29,511**	**358,589**

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

22. ZAKAT AND INCOME TAX (continued)

	Zakat payable	Income tax Payable	Total 31 December 2022
Balance at beginning of the year	202,820	33,790	236,610
Opening balance assumed through consolidation	70	-	70
Provided during the year	72,938	91,790	164,728
Payments during the year	(11,245)	(63,597)	(74,842)
Balance at end of the year	264,583	61,983	326,566

Breakup of income tax for the year ended 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Accounting profit before tax and zakat	**1,116,679**	969,163
Less: Income subject to zakat	**(633,715)**	(550,000)
Accounting profit for non-Saudi shareholders	**482,964**	419,163
Tax effects of		
- Non-tax deductible expenses/reversal	**(10,979)**	14,823
- IFRS 17 and IFRS 9 adoption impact	**-**	24,963
-Prior year adjustments	**(100)**	-
Adjusted profit ⁄loss for tax base	**471,885**	458,949
Corporate tax at 20%	**94,377**	91,790

Status of assessments

<u>Bupa Arabia For Cooperative Insurance Company</u>

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2022 with Zakat, Tax and Customs Authority (“ZATCA”).

The Company has finalized its zakat and income tax returns with ZATCA for the fiscal periods 2008 through 2016 and 2018. For the year 2017, the Company received an assessment amounting to SR 35.8 million in as additional zakat and tax liability, the Company has escalated the matter to the General Secretariat of Tax Committees ("GSTC") with the Appeal Committee for Tax Violations and Disputes and awaits for the decision. Also, the Company has received the final assessment for the years 2019 and 2020 amounting to SR 36.7 million and SR 41 million, respectively. The Company has filed an appeal to the GSTC with the Resolution Committee for Tax Violations and Disputes and their review and the outcome of the appeal is awaited. The management believes that these assessments are appropriately provisioned.

The Company is yet to receive the final assessment for the years ended 31 December 2021 and 2022.

<u>Bupa Arabia For Third Party Administration</u>

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2022 with ZATCA. The due zakat and tax under these years and these returns are still under ZATCA’s review.

23. SHARE CAPITAL

The authorised, issued and paid-up capital of the Group is SAR 1,500 million at 31 December 2023 (31 December 2022: SAR 1,500 million) consisting of 150 million shares (31 December 2022: 150 million shares) of SAR 10 each. Shareholding structure of the Group is as below:

	31 December 2023		31 December 2022	
	Holding percentage	**Amount**	Holding percentage	Amount
Major shareholders	**48.3%**	**723,825**	50.6%	758,850
General Public	**51.7%**	**776,175**	49.4%	741,150
	100%	**1,500,000**	100%	1,500,000

23. SHARE CAPITAL (continued)

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

	2023		2022	
	Holding Percentage	**SR'000**	Holding Percentage	SR'000
Bupa Investment Oversees Limited	**43.3%**	**648,750**	43.3%	648,750
Nazer Group Company Limited	**5.0%**	**75,075**	7.3%	110,100
	48.3%	**723,825**	50.6%	758,850

The total shareholders' equity as of 31 December 2023 for Saudi shareholders is SR 2,663 million (31 December 2022: SR 2,396 million) and foreign shareholder is SR 1,994 million (31 December 2022: SR 1,826 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 554 million and net income after income tax of SR 387 million to Saudi and foreign shareholders, respectively. Retained earnings as of 31 December 2023 for Saudi shareholders is SR 1,072 million (2022: SR 932 million) and foreign shareholder is SR 782 million (2022: SR 710 million). Statutory reserve as of 31 December 2023 for Saudi shareholders is SR 768 million (2022: SR 661 million) and foreign shareholder is SR 585 million (2022: SR 504 million).

On 2 May 2023, the Board of Directors of the Company has recommended a dividend of SR 3.6 per share for the year ended 31 December 2022 (SR 4.5 per share for the year ended 31 December 2021). The dividends were approved by the shareholders in the Extraordinary General Assembly meeting held on 22 June 2023 and paid subsequently.

24. 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 Group carries out this transfer on an annual basis at 31 December. As at 31 December 2023, SR 1,353 million (31 December 2022: SR 1,165 million) had been set aside as a statutory reserve, equal to 90.2% (31 December 2022: 77.6%) of the paid-up share capital.

25. 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)

	2023		2022	
	Average price	**Number of shares**	**Average price**	**Number of shares**
As at 1 January	**101.58**	**770,162**	105.01	508,100
Granted during the year	**206.12**	**91,378**	166.65	219,033
Delivered during the year	**87.20**	**(366,470)**	104.71	(111,003)
Bonus Shares	**-**	**-**	-	154,032
As at 31 December	**131.53**	**495,070**	101.58	770,162

These shares are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized in consolidated statement of income during the year ended December 31, 2023 in respect of this scheme was SR 26.1 million (2022: SR 22.3 million).

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

26. OTHER OPERATING EXPENSES

	2023	2022
Policy acquisition cost	**746,676**	578,156
Employees' costs	**637,555**	521,652
Income attributable to insurance operations	**97,004**	65,303
Rents, IT and maintenance costs	**77,722**	77,216
Legal and professional fees (refer note 26.1)	**67,843**	40,065
Depreciation and amortization	**55,759**	49,859
Trademark fee	**39,227**	32,094
Travelling and other expenses	**38,289**	16,992
Marketing expenses	**35,460**	33,084
Communication expenses	**14,924**	12,458
Other expenses	**9,478**	1,501
Total	**1,819,937**	1,428,380

Allocation of expenses is as follows:

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Other attributable expenses *	**756,448**	**-**	**756,448**	603,370	-	603,370
Policy acquisition cost *	**746,676**	**-**	**746,676**	578,156	-	578,156
Other operating expenses**	**297,956**	**18,857**	**316,813**	231,628	15,226	246,854
	1,801,080	**18,857**	**1,819,937**	1,413,154	15,226	1,428,380

*Reported part of insurance service expense
** Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

Other revenue from the subsidiary amounted to SR 92.065 million (2022: 42.633 million). The nature of "Other costs", as disclosed on the statement of income primarily represents direct and indirect manpower cost, and any other expense. Other costs were incurred in the provision of claims management and handling services for a third party.

26.1 Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiary for the year ended 31 December 2023 amounts to SR 3.21 million (2022: SR 2.14 million). Auditors' remuneration for the review of the Group's interim financial information during the year ended 31 December 2023 amounts to SR 0.91 million (2022: SR 0.71 million). Fee for other statutory and related services provided by the auditors to the Group amounts to SR 0.50 million (2022: SR 3.01 million).

27. CAPITAL MANAGEMENT

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.

As per guidelines laid out by SAMA in Article 66 of the Implementing Regulations of the Cooperative Insurance Companies Control Law detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

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. In the opinion of the Board of Directors, the Group has fully complied with the regulatory capital requirements during the reported financial period. As at December 31, 2023 the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

28. 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 940,163 thousand (2022: SR 805,117 thousand) for the year by the weighted average number of ordinary shares issued and outstanding shares amounting to 150 million shares (2022: 150 million shares) and treasury shares amounting to 495 thousand (2022: 684 thousand shares) at year end. The weighted average number of ordinary shares issued and outstanding at 31 December 2022 have been adjusted for the bonus shares issued during the year ended 31 December 2023. The earnings per share for the year ended 31 December 2022 has been restated on account of adoption of IFRS 17 and IFRS 9.

29. RISK MANAGEMENT

The Group has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Adhering to this structure, the Group aims to meet its obligations to policyholders and other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations. The Group's Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Committee is responsible for defining, installing and monitoring the risk management organisation in order to ensure that its control systems are effective. The Risk Committee approves all risk management policies, as well as the quantitative and qualitative elements of the Group's risk appetite and tolerance framework.

a) Insurance risk

The Group provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance risk within the Group is that there are no sufficient reserves available to cover the liabilities associated with the insurance contracts issued. Actual claims may differ from the estimated ultimate claims. The Group seeks to manage this as follows:

Estimate of present value of cash flows and risk adjustment for non-financial risk

- through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Group also has an external actuary to perform quarterly independent reviews of the reserves adequacy. Estimate of present value of cash flows and risk adjustment for non-financial risk, which are key components of the Group's insurance contract liabilities are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR"), claims handling provisions and risk adjustment for non-financial risk. 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 objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues.
- 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 reviews 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.

Reinsurance

- The Group has a reinsurance arrangement to reduce its exposure through transfer of risk. During the years ended 31 December 2023 and 2022, the Group had quota share reinsurance arrangement 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 1.05% of gross premium written (2022: 0.68%).
- The reinsurers selected met SAMA's minimum acceptable rating of BBB from a reputable credit agency.
- 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.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

29. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Pricing

- 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.

Managing the 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.

Process used to decide on assumptions

- Assumptions used in determining estimate of present value of cash flows 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 present value of future cash flows related to incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the present value of future cash flows related to reported claims which are received but not yet settled with the providers. For the case of present value of future cash flows related to reported 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 present value of future cash flows related to 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.

iii) 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.

	31 December 2023	31 December 2022
Impact on equity, insurance contract liabilities and profit or loss due to change in claims ratio		
5% Increase	(792,129)	(645,536)
5% Decrease	792,129	645,536
Impact on equity, insurance contract liabilities and profit or loss due to change in risk adjustment for non-financial risk		
5% Increase	(46,812)	(26,945)
5% Decrease	20,689	23,972

The following shows the impact of a reasonable possible change in direct expense ratio on the loss component as at the reporting date. As at 31 December 2023 there was no loss component recognized by the Group.

Impact on equity, insurance contract liabilities and profit or loss due to change in direct expense ratio – loss component*		
2% Increase	-	(94,343)
2% Decrease	-	60,483

* Direct expense ratio is the ratio of sum of directly attributable expenses, acquisition cashflows and surplus for the period to earned premium.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

29. RISK MANAGEMENT (continued)

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.

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 using discounted cashflows as at 31 December are as follows:

	2023				
	Less than 3 months	**3 months to 1 year**	**1 year to 3 years**	**More than 3 years**	**Total**
Term deposits	**1,363,608**	**2,308,787**	**1,873,512**	**1,677,104**	**7,223,011**
Financial assets at amortised cost	**-**	**-**	**-**	**587,360**	**587,360**
Financial assets at fair value - Sukuks	**93,728**	**61,729**	**323,367**	**3,234,341**	**3,713,165**
	1,457,336	**2,370,516**	**2,196,879**	**5,498,805**	**11,523,536**

	2022				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Term deposits	1,000,000	1,945,000	2,945,989	515,859	6,406,848
Financial assets at amortised cost	-	-	-	526,188	526,188
Financial assets at fair value - Sukuks	93,715	142,359	454,916	1,634,872	2,325,862
	1,093,715	2,087,359	3,400,905	2,676,919	9,258,898

29. RISK MANAGEMENT (continued)

c) Market risk (continued)

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 4,246 million (2022: SR 2,852 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 carried at fair value through income statement on Group's profit would be as follows:

	Fair value change	Effect on Group’s profit SR’000
2023	**± 10%**	**± 40,997**
2022	± 10%	± 40,658

The potential impact of a 10% increase or decrease in the market prices of investments carried at fair value through other comprehensive income on Group's total comprehensive income would be as follows:

	Fair value change	Effect on Group’s profit SR’000
2023	**± 10%**	**± 377,807**
2022	± 10%	± 237,453

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 future premiums cashflow. 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 maximum exposure to credit risk on reinsurance contract assets is SR 2 million.

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

	2023	2022
Cash and cash equivalents	**1,255,896**	1,287,961
Reinsurance contract assets	**74,090**	28,155
Other receivables and accrued income	**396,342**	354,004
Term deposits	**7,223,011**	6,406,848
Financial assets at amortised cost	**587,360**	526,188
Financial assets at fair value	**4,246,757**	2,852,234
Statutory deposit	**149,960**	149,961
Accrued income on statutory deposit	**8,690**	16,235
	13,942,106	11,621,586

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

29. RISK MANAGEMENT (continued)

d) Credit risk (continued)

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 a reputable credit agency) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2023			
		Non-investment grade		
	Investment grade	**Not impaired**	**Impaired**	**Total**
Cash and cash equivalents	**1,255,896**	**-**	**-**	**1,255,896**
Reinsurance contract assets	**-**	**74,090**	**-**	**74,090**
Other receivables and accrued income	**-**	**396,342**	**-**	**396,342**
Term deposits	**7,223,011**	**-**	**-**	**7,223,011**
Financial assets at amortised cost	**587,360**	**-**	**-**	**587,360**
Financial assets fair value	**4,246,757**	**-**	**-**	**4,246,757**
Statutory deposit	**149,960**	**-**	**-**	**149,960**
Accrued income on statutory deposit	**8,690**	**-**	**-**	**8,690**
	13,471,674	**470,432**	**-**	**13,942,106**

	2022			
		Non-investment grade		
	Investment grade	Not impaired	Impaired	Total
Cash and cash equivalents	1,287,961	-	-	1,287,961
Reinsurance contract assets	-	28,155	-	28,155
Other receivables and accrued income	-	354,004	-	354,004
Term deposits	6,406,848	-	-	6,406,848
Financial assets at amortised cost	526,188	-	-	526,188
Financial assets at fair value	2,852,234	-	-	2,852,234
Statutory deposit	149,961	-	-	149,961
Accrued income on statutory deposit	16,235	-	-	16,235
	11,239,427	382,159	-	11,621,586

The Group does not have any financial asset classified in Stage 2 or 3 as at 31 December 2023 and 2022. The ECL on Stage 1 financial assets is not material.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

29. RISK MANAGEMENT (continued)

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 a monthly basis and management ensures that sufficient liquid funds through premiums received and excess cash are available to meet any commitments as they arise.

The table below summaries the maturity profile of the financial liabilities of the Group based on remaining expected undiscounted contractual obligations:

	2023		
	Up to one year	**More than one year**	**Total**
Accrued and other liabilities	**734,859**	**-**	**734,859**
Insurance contract liabilities	**8,267,196**	**-**	**8,267,196**
Lease liability	**35,810**	**149,907**	**185,717**
Due to related parties	**40,935**	**-**	**40,935**
Accrued income payable to Insurance Authority	**8,690**	**-**	**8,690**
	9,087,490	**149,907**	**9,237,397**

	2022		
	Up to one year	More than one year	Total
Accrued and other liabilities	530,715	-	530,715
Insurance contract liabilities	6,699,185	-	6,699,185
Reinsurance contract liabilities	2,605	-	2,605
Lease liability	24,681	219,672	244,353
Accrued income payable to Insurance Authority	16,235	-	16,235
	7,273,421	219,672	7,493,093

f) Liquidity profile

All assets excluding financial assets at amortised cost, financial assets at fair value, 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 3,672 million (31 December 2022: SR 2,945 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 lease liabilities 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.

30. INSURANCE OPERATIONS’ SURPLUS PAYABLE

	2023	2022
Balance at the beginning of the year	**208,021**	190,060
Income attributable to insurance operations during the year	**97,004**	65,303
Surplus paid to policyholders during the year	**(44,229)**	(47,342)
Net surplus payable to policyholders	**260,796**	208,021

As a result of the adoption of IFRS 17, net surplus payable to policyholders is reported as part of insurance contract liabilities. Also, income attributable to insurance operations is expensed as part of insurance service expenses.

31. DIVIDENDS

During the year ended 31 December 2023, the Group’s Board of Directors proposed to pay dividends for the year ended 31 December 2022 of SR 3.6 per share, totalling SR 540 million (2021: SR 540 million) to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting held on 22 June 2023 and was paid during the year.

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

32. INSURANCE SERVICE RESULTS

	2023	2022
Insurance Revenue		
Contracts measured under PAA		
Insurance revenue	**15,887,715**	12,873,111
Insurance Service Expenses		
Incurred claims and other directly attributable expenses	**(14,737,829)**	(12,094,850)
Changes that relate to past service – adjustments to the LIC	**428,512**	18,871
Reversal of onerous contract	**61,561**	448,102
Insurance acquisition cash flows amortization	**(746,676)**	(578,156)
Total insurance service expenses	**(14,994,432)**	(12,206,033)
Insurance service result before reinsurance contracts held	**893,283**	667,078
Allocation of reinsurance premiums		
Contracts measured under PAA		
Premium ceded on reinsurance contracts held	**(151,740)**	(73,952)
Commission earned on reinsurance contracts held	**-**	-
Amounts allocated to reinsurance from contracts measured under the PAA	**(151,740)**	(73,952)
Amounts recoverable from reinsurers for incurred claims		
Incurred claims & other expenses	**132,817**	59,888
Changes relating to amounts recoverable on incurred claims	**(9,323)**	(15,386)
Total amounts recoverable from reinsurance for incurred claims	**123,494**	44,502
Net expense from reinsurance contracts held	**(28,246)**	(29,450)
Net insurance Service Result	**865,037**	637,628

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

33. CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims, including both claims reported and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

2023 **Accident year**	**2020 and earlier**	**2021**	**2022**	**2023**	**Total**
Undiscounted liabilities for incurred claims, gross of reinsurance:					
At end of accident year	**46,940,903**	**9,775,177**	**11,314,093**	**13,529,148**	**81,559,321**
1 year later	**46,247,258**	**9,355,664**	**10,938,600**	**-**	**66,541,522**
2 years later	**46,291,114**	**9,371,807**	**-**	**-**	**55,662,921**
3 years later	**46,308,390**	**-**	**-**	**-**	**46,308,390**
Current estimate of ultimate claims	**46,308,390**	**9,371,807**	**10,938,600**	**13,529,148**	**80,147,945**
Ultimate payments to date	**46,279,621**	**9,324,463**	**10,801,211**	**10,702,450**	**77,107,745**
Liability recognized in the consolidated statement of financial position	**28,769**	**47,344**	**137,389**	**2,826,698**	**3,040,200**
Other related reserves					**174,026**
Loss component					**-**
Balance at 31 December					**3,214,226**

2022 **Accident year**	**2019 and earlier**	**2020**	**2021**	**2022**	**Total**
Undiscounted liabilities for incurred claims, gross of reinsurance:					
At end of accident year	40,036,189	8,742,056	9,775,177	11,314,093	69,867,515
1 year later	40,035,152	8,048,412	9,355,664	-	57,439,228
2 years later	40,041,050	8,092,267	-	-	48,133,317
3 years later	40,003,901	-	-	-	40,003,901
Current estimate of ultimate claims	40,003,901	8,092,267	9,355,664	11,314,093	68,765,925
Ultimate payments to date	39,993,268	8,078,148	9,288,011	9,008,116	66,367,543
Liability recognized in the consolidated statement of financial position	10,633	14,119	67,653	2,305,977	2,398,382
Other related reserves					145,602
Loss component					61,561
Balance at 31 December					2,605,545

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

33. CLAIMS DEVELOPMENT TABLE (continued)

2023 Accident year	**2020 and earlier**	**2021**	**2022**	**2023**	**Total**
Undiscounted liabilities for incurred claims, net of reinsurance:					
At end of accident year	**46,892,338**	**9,708,417**	**11,253,658**	**13,405,271**	**81,259,684**
1 year later	**46,196,203**	**9,295,165**	**10,878,036**	**-**	**66,369,404**
2 years later	**46,244,431**	**9,309,698**	**-**	**-**	**55,554,129**
3 years later	**46,261,579**	**-**	**-**	**-**	**46,261,579**
Current estimate of ultimate claims	**46,261,579**	**9,309,698**	**10,878,036**	**13,405,271**	**79,854,584**
Ultimate payments to date	**46,232,842**	**9,263,916**	**10,749,970**	**10,618,143**	**76,864,871**
Liability recognized in the consolidated statement of financial position	**28,737**	**45,782**	**128,066**	**2,787,128**	**2,989,713**
Other related reserves					**171,810**
Loss component					**-**
Balance at 31 December					**3,161,523**

2022 Accident year	**2019 and earlier**	**2020**	**2021**	**2022**	**Total**
Undiscounted liabilities for incurred claims, net of reinsurance:					
At end of accident year	39,962,229	8,693,491	9,708,417	11,253,658	69,617,795
1 year later	39,959,410	7,997,356	9,295,165	-	57,251,931
2 years later	39,961,351	8,045,584	-	-	48,006,935
3 years later	39,927,912	-	-	-	39,927,912
Current estimate of ultimate claims	39,927,912	8,045,584	9,295,165	11,253,658	68,522,319
Ultimate payments to date	39,917,279	8,031,478	9,227,799	8,967,204	66,143,760
Liability recognized in the consolidated statement of financial position	10,633	14,106	67,366	2,286,454	2,378,559
Other related reserves					144,700
Loss component					61,561
Balance at 31 December					2,584,820

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on 17 Rajab 1445H corresponding to 29 January 2024.

35. SUPPLEMENTARY INFORMATION

Consolidated Statement of Financial Position

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Total assets	**9,009,617**	**5,428,734**	**14,438,351**	7,104,401	5,010,530	12,114,931
Total liabilities	**8,990,970**	**771,852**	**9,762,822**	7,125,461	788,581	7,914,042
Total equity	**18,647**	**4,656,882**	**4,675,529**	(21,060)	4,221,949	4,200,889

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

35. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Income

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Insurance revenue	**15,887,715**	**-**	**15,887,715**	12,873,111	-	12,873,111
Insurance service expense	**(14,994,432)**	**-**	**(14,994,432)**	(12,206,033)	-	(12,206,033)
Net expenses from reinsurance contracts held	**(28,246)**	**-**	**(28,246)**	(29,450)	-	(29,450)
Net insurance service result	**865,037**	**-**	**865,037**	637,628	-	637,628
Investment income on financial assets at amortised cost	**233,984**	**116,652**	**350,636**	103,241	63,956	167,197
Investment income on financial assets at fair value	**72,629**	**90,796**	**163,425**	51,656	334,966	386,622
Net impairment loss on financial assets	**(656)**	**(129)**	**(785)**	(1,028)	(657)	(1,685)
Net insurance and investment results	**1,170,994**	**207,319**	**1,378,313**	791,497	398,265	1,189,762
Other operating expenses	**(297,956)**	**(18,857)**	**(316,813)**	(231,628)	(15,226)	(246,854)
Other revenue	**-**	**92,065**	**92,065**	-	42,633	42,633
Other cost	**-**	**(36,886)**	**(36,886)**	-	(16,378)	(16,378)
Income attributed to the shareholders before, zakat and income tax	**873,038**	**243,641**	**1,116,679**	559,869	409,294	969,163
Transfer of surplus to shareholders (after deducting 10% policyholder surplus)	**(776,034)**	**776,034**	**-**	(494,566)	494,566	-
Income attributed to the shareholders before zakat and income tax	**97,004**	**1,019,675**	**1,116,679**	65,303	903,860	969,163
Zakat charge	**-**	**(80,237)**	**(80,237)**	-	(72,938)	(72,938)
Income tax charge	**-**	**(96,279)**	**(96,279)**	-	(91,108)	(91,108)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**97,004**	**843,159**	**940,163**	65,303	739,814	805,117
Total other comprehensive Income / (loss)	**39,707**	**27,441**	**67,148**	(30,894)	(247,625)	(278,519)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**136,711**	**870,600**	**1,007,311**	34,409	492,189	526,598

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

35. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Cash flows

	2023			2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Net income attributed to shareholders before zakat and income tax	**-**	**1,116,679**	**1,116,679**	-	969,163	969,163
Net cash generated from operating activities	1,463,993	813,281	2,277,274	1,025,059	680,246	1,705,305
Net cash used in investing activities	(1,215,765)	(510,058)	(1,725,823)	(1,306,485)	526,346	(780,139)
Net cash used in financing activities	-	(583,516)	(583,516)	-	(597,790)	(597,790)
Net change in cash and cash equivalents	**248,228**	**(280,293)**	**(32,065)**	(281,426)	608,802	327,376
Cash and cash equivalents at beginning of the year	649,097	638,864	1,287,961	930,523	30,062	960,585
Cash and cash equivalents at end of the year	**897,325**	**358,571**	**1,255,896**	649,097	638,864	1,287,961