SHAREHOLDER CIRCULAR

Amana Cooperative Insurance Company

Amana Cooperative Insurance Company (hereinafter referred to as "**Amana Company**", "**Merging company**" or "**Issuer**") intends to merge with Saudi Enaya Cooperative Insurance Company (hereinafter referred to as "**Enaya Company**" or "**Merged Company**") through a securities exchange offer to merge Enaya Company into Amana Company and transfer all of Enaya's assets and liabilities to Amana (hereinafter referred to as ("**Merger transaction**", "**transaction**", "**Merger**" or "**Merger process**"), through increasing Amana's capital by issuing new ordinary shares ("new shares" or "Consideration Shares") in favor of Enaya shareholders, and pursuant to the shareholder circular on capital increase ("**circular**" or "**shareholders' circular**").

Amana will issue fifteen million eight hundred fifty-eight thousand and twenty-four (15,858,024) new ordinary shares with a nominal value of (10) ten riyals per share in favor of Enaya shareholders (hereinafter referred to as "**new shares**" or "**Consideration Shares**") in return for transferring all of Enaya's assets and liabilities to Amana, with a nominal value of one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty (158,580,240) Saudi riyals, where (1.05720160) will be issued in Amana for every (1) share owned in Enaya, which will result in increasing Amana's capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, and increasing Amana's shares from thirteen million (13,000,000) shares to twenty-eight million eight hundred and fifty-eight thousand and twenty-four (28,858,024) shares, where shareholders of Enaya will own (55%) of the Merging company's capital after completing the Merger (i.e. (121.9848%) of Amana's capital before the increase), and the new shares will be issued in the same category of Amana's current shares, and the new shares in question shall have all the rights of current shares, as all of Amana's current shares are of one class and no share gives the holder preferential rights.

Amana Cooperative Insurance Company is a Saudi public joint stock company established in accordance with Cabinet Resolution No. (188) issued on 08/06/1430H (corresponding to 01/06/2009G), Royal Decree No. M/35 dated 10/06/1430H (corresponding to 03/06/2009G), Resolution of the Minister of Commerce No. 180/Q dated 03/06/1431H (corresponding to 17/05/2010G) and registered in the Commercial Registry in Riyadh under No. (1010288711) dated 10/06/1431H (corresponding to 24/05/2010G). The current capital of the Merging company is one hundred and thirty million (130,000,000) Saudi riyals divided into thirteen million (13,000,000) ordinary shares with a nominal value of (10) Saudi riyals per share (referred to individually as "**current share**" and collectively as "**current shares**"). Paid in full and listed on Saudi Tadawul (hereinafter referred to as "**Market**" or "**Tadawul**"). On 19/05/2021G, the number of Amana's shareholders reached (21,722) shareholders. Amana's substantial shareholders are Amana Gulf Insurance Company BSC, which holds (13.64%) of the Merging company's capital before the capital increase and will hold (6.14%) after the capital increase. The public holding in Amana is (85.10%) of the Merging company's capital, while Amana's board members hold (1.26%) of the Merging company's capital before the capital increase, while the public holding will reach (38.90%) after the capital increase, while Enaya's shareholders will hold (55%) of Amana's capital after the capital increase and completion of the Merger transaction.

On 20/09/1442H (corresponding to 05/02/2021G), Amana announced the signing of a Merger agreement with Enaya Company, Saudi Enaya Cooperative Insurance Company is a Saudi public joint stock company established under Commercial Registration No. (4030223528) on 03/27/1433H (corresponding to 19/02/2012G), with headquarters located in Jeddah and its capital is one hundred and fifty million (150,000,000) Saudi riyals, divided into fifteen million (15,000,000) shares, with a nominal value of ten (10) Saudi riyals per share, paid in full and listed on Tadawul. Substantial shareholders in Enaya are Munich Re, which holds (15%) of Enaya's capital before the Merger, and holds no shares in Amana before the Merger (it will hold (8.24%) in Amana after the Merger) and will become a substantial shareholder in Amana after the Merger, National Health Insurance Company (Daman), which holds (10%) of Enaya's capital before the Merger, and holds no shares in Amana before the Merger (and it will hold (5.50%) of Amana's capital after the Merger) and will become a substantial shareholders in Amana after the Merger. The public holds (75%) of Enaya's capital before the Merger and will hold (41.21%) of Amana's capital after the Merger, while emphasizing that there are no related parties in this Merger transaction.

Under the terms of this Merger, Amana will issue fifteen million eight hundred fifty-eight thousand twenty-four (15,858,024) new ordinary shares, with a nominal value of (10) ten riyals per share in favor of Enaya's shareholders in return for transferring all of Enaya's assets and liabilities to Amana. The total nominal value of the new shares is one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty (158,580,240) Saudi riyals, where the total market value of the new shares, based on the swap ratio and the closing price of Amana's share of (64.38) Saudi riyals as on 04/28/2021G, which is the last trading day preceding the date of concluding the Merger agreement, reaches one billion twenty million and nine hundred thirty-nine thousand, and five hundred and eighty-five (1,020,939,585) Saudi riyals.

After obtaining approval of the Capital Market Authority "**Authority**" to increase Amana's capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, by issuing fifteen million eight hundred the fifty eight thousand and twenty four (15,858,024) new ordinary shares paid in full for the purpose of Merging Enaya company into Amana Company, announced on the Authority's website on 02/05/1443H (corresponding 06/12/2021G), Amana call for Extraordinary General Assembly Meeting (EGM) to vote on the capital increase for the purpose of Merging with Enaya through transferring all of Enaya's assets and liabilities to Amana through a securities swap offer, so that (1.05720160) will be issued in Amana in favor of Enaya's shareholders for every (1) share owned by every Enaya's shareholder. The invitation will be announced on "**Tadawul**" (provided that the approval of capital increase is conditional on the approval of Enaya's EGM on the Merger) and Amana's board members will be authorized to take all financial and legal procedures related to completion of the Merger, including the amendment of Amana's articles of association.

Enaya will invite its shareholders to an EGM to vote on the Offer submitted by Amana to merge Enaya into Amana through a securities swap offer to transfer all of Enaya's assets and liabilities to Amana, and the invitation will be announced on Tadawul website.

The Merger transaction will be approved through the approval of Amana's EGM to increase Amana's capital for the purpose of Merging with Enaya, and through the approval of Enaya's EGM to Amana's offer related to the Merger with Enaya. After approving the Merger by shareholders of both Amanah and Enaya, the Merger resolution will become effective after the lapse of thirty days from the date of announcing the results of EGMs of both Amana and Enaya to approve the Merger. Enaya's creditors are entitled, during creditors objection period ("Enaya creditors objection period" or "creditors objection period") submit their objection to the Merger via a registered letter to Enaya, in accordance with provisions of Article (193) of Companies Law, and in such case the Merger will be stopped till creditors waive their objection to the Merger, or Enaya pays its debts, if the debt is current or through providing sufficient guarantee to meet such debt if it is deferred. creditors objection period begins from the date of announcing the approval of EGMs of both Amana and Enaya, i.e. starting from the day following the convening of EGMs of Enaya or Amana, whichever is later, and lasts for thirty days.

Enaya's shares will be delisted, and new shares will be issued as tradable securities in favor of Enaya's shareholders in accordance with Enaya's shareholder register on the effective date of Merger resolution, taking into consideration settlement procedures and those registered in Enaya's shareholder register at the close of the second trading day following the last day of creditors objection period. These shares shall be deposited in portfolios of Enaya's shareholders at a number of (1.05720160) shares in Amana for every (1) share held in Enaya.

As a result of the Merger and exchange of securities between Amana and Enaya's shareholders, the ownership of all Amana's current shareholders will decrease from 100% to 45%, and Enaya will dissolve and its assets and liabilities will be transferred to the Merging company after the Merger resolution becomes effective, and all of Enaya's shareholders (including those who voted against or did not vote on the Merger resolution) will receive new shares in the Merging company, according to the swap ratio.

The procedures to write off Enaya from the commercial register at the Ministry of Commerce will start after the expiry of Enaya's creditors objection period. The above procedures will take place according to the expected timetable for the Merger shown on page (xi).

All of Amana's board members confirm, after exerting the necessary professional diligence as they deem appropriate under the circumstances, that the Merger transaction and the Board of Directors' decision dated 09/09/1442H (corresponding to 21/04/2021G) approving signing the Merger agreement dated 17/09/1442H (corresponding to 29/04/2021G) is in the interest of Amana and shareholders as a whole, and that the transaction will contribute to the future success of the Merging company through improving its financial position and achieving its strategy in cutting the costs of its business, and consequently increasing its profits through increasing the customer base of the Merging company in addition to creating a diversified insurance portfolio. Accordingly, Amana's Board of Directors recommends Amana's shareholders to vote in EGM on increasing Amana's capital for the purpose of Merging with Enaya, through transferring all of Enaya's assets and liabilities to Amana.

The Merging company has applied to the authority for listing and offering securities and requested approving the listing on Tadawul. The board members acknowledge that if all statutory requirements necessary for the Merger are met, other than EGM approval of the transaction, all approvals related to this circular and the transaction were obtained. This circular should be read in its entirety, and "**Important Notice**" and "**Risk Factors**" sections, on pages (i) and (8) respectively, should be studies carefully before voting in the EGM on or against increasing Amana's capital for the purpose of Merging Enaya into Amana through transferring all of Enaya's assets and liabilities to Amana. This circular is extremely important and requires the attention of stakeholders. In case any of the shareholders has any doubt regarding the content of this circular or regarding the action that should be taken, he/she should obtain special financial advice from any independent financial advisor licensed by the Capital Market Authority.

Financial advisor

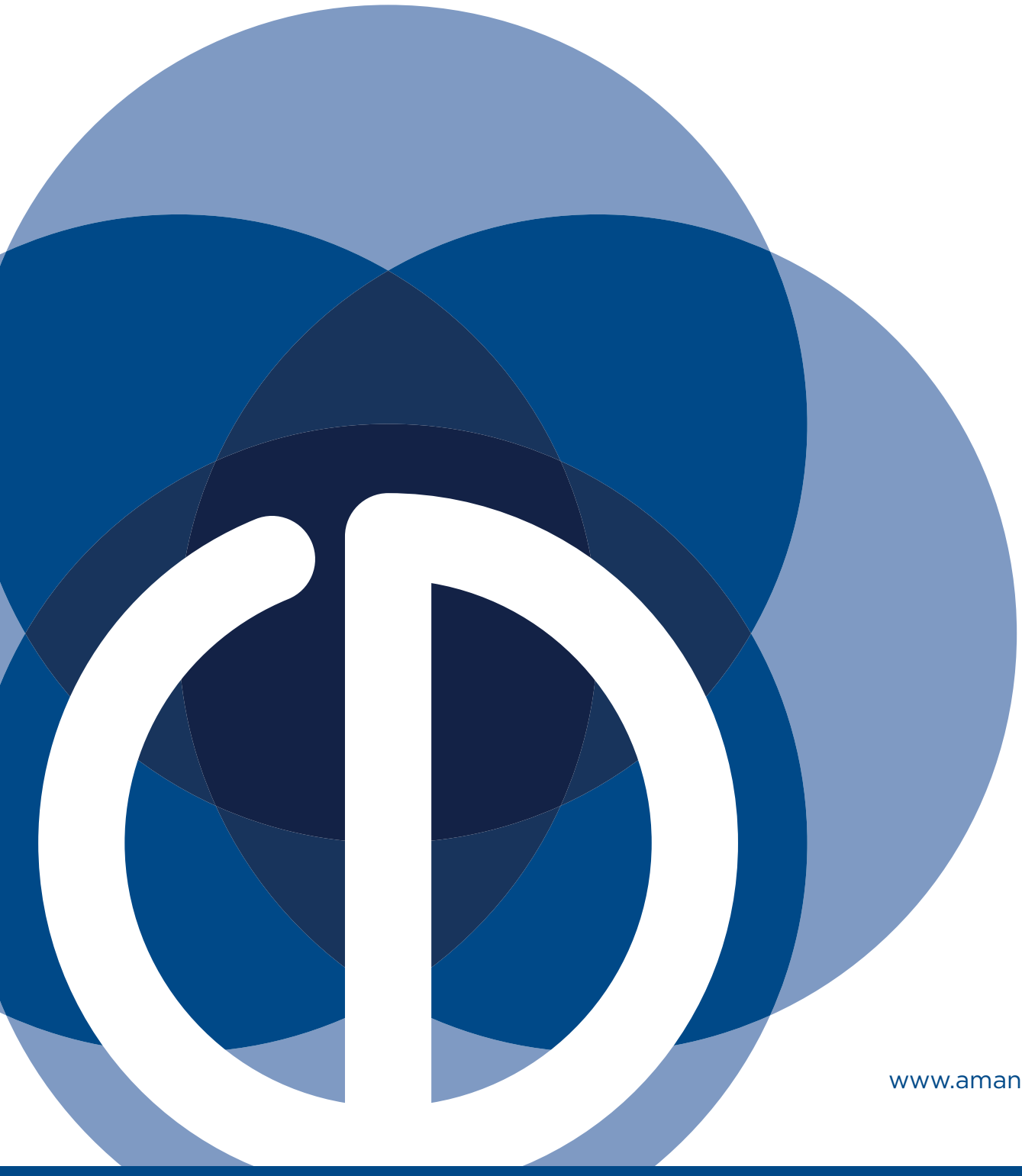
الإنماء للاستثمار
alinma investment

This Circular includes information provided in the application for listing and off-ering of securities in accordance with Rules on the Offer of Securities and Continuing Obligations issued by Capital Market Authority of the Kingdom of Saudi Arabia (referred to as "Authority"), and the application for listing of securities in compliance with the listing rules of the Saudi Stock Exchange. The Directors, whose names appear on page (39) collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

"This unofficial English language translation of the official Arabic language of the Circular. No reliance should be placed on this English translation, Which may not entirely reflect the official Arabic language Circular. In case of any differences between the two, the Arabic version shall prevail".

This circular was issued on 05/05/1443H (corresponding 09/12/2021G).

أمانة
amana



www.amana.sa

Important Notice

Amana has prepared this circular in accordance with the requirements of Article (57) of Rules on the Offer of Securities and Continuing Obligations to provide information to its shareholders to enable them to make an informed decision when voting on the recommendation of Amana's Board regarding the Offer submitted to Enaya's shareholders for Merging Enaya into Amana in return for issuing new shares for them in accordance with provisions of Articles (191), (192), (193) of Companies Law and provisions of Sub-paragraph (1) of Paragraph (a) of Article (49) of Merger and Acquisition Regulations, which will result in Merging Enaya into Amana and transferring all of Enaya's assets and liabilities to Amana, through increasing Amana's capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, through issuing fifteen million eight hundred and fifty-eight thousand and twenty-four (15,858,024) new ordinary shares, thus increasing its shares to twenty-eight million, eight hundred and fifty-eight thousand and twenty-four (28,858,024) shares.

This circular ("Circular") contains detailed information on Enaya and the Merger transaction and aims to provide Amana's shareholders with information on the transaction to enable them to make an informed decision when voting on the recommendation of Amana's Board to approve the transaction by increasing the capital for Merging Enaya into Amana, as obtaining the approval of Enaya's shareholders during EGM held to vote on the transaction is among the conditions to complete the transaction. The vote of Amana's shareholders on the resolutions of EGM on the Merger will be deemed based on the information contained in this circular, where shareholders can obtain copies thereof from Amana's headquarters or by visiting Amana's website (https://amana.sa/ar/), or the financial advisor's website (www.alinmainvestment.com), or website of the Capital Market Authority (CMA) (https://cma.org.sa).

Amana has contracted with the financial advisor and other advisors mentioned in (Company Directory) Section herein to assist in performing the work necessary to accomplish the Merger. In no way can this circular be considered as a recommendation by the financial advisor, or any of the other advisors, to vote in favor of increasing Amana's capital and issuing new shares in favor of Enaya's shareholders so that Amana can complete the Merger.

The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Circular.

Information, data and statements contained in this Circular are made as at the publication date of this Circular (unless otherwise is stated); accordingly, such information, data and statements are subject to be changed after being issued. Nothing contained in this Circular is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial performance of Amana and no statement in this Circular should be interpreted to mean that earnings per share for current or future financial periods will necessarily match or exceed historical published earnings per share of Amana shares. The information and data contained in this circular reflects the viewpoint of Amana's Board about the expected benefits and effects of the Merger on the date of publishing this circular, however it shall not be deemed as a guarantee of the Merging company's financial performance after completing the transaction. It should be noted that there are multiple factors and aspects that may, positively or negatively, affect the performance of Merging company, or the results it may achieve. (For more information, please refer to Section No. (2) "**2. Risk Factors**").

In accordance with the requirements of Rules on the Offer of Securities and Continuing Obligations, Amana will publish a supplementary shareholder circular, any time after the date of publishing this circular and before convening Amana's EGM on the Merger transaction, in case Amana becomes aware of an important change in material matters contained in this circular or the emergence of any issues that should have been included therein.

In addition, no information contained herein should be considered as expectations or statements on behalf of Amana's Board of Directors, except as disclosed herein. Therefore, you should not rely on any information or statements issued by other parties on the grounds that it was issued by Amana or any of its advisors in connection with the Merger transaction.

It should also be noted that no person has been authorised to give any information or statements or to make any statements or explanations on behalf of Amana's board of directors other than those contained in this Circular. Therefore, you should not rely on any information or statements issued by other parties on the grounds that it was issued by Amana, or Alinma Investment Company ("Alinma Investment"), or any of Amana's advisors in connection with the Merger transaction.

Amana has appointed Alinma Investments as a financial advisor in connection with the Merger. Alinma Investment is subject to the laws and regulations in force in the Kingdom of Saudi Arabia and is licensed by the Capital Market Authority (CMA) to do so. Alinma Investments acts as Amana's financial advisor in the Merger transaction and does not work for any other party in the same transaction. It is worth noting that Alinma Investment has not independently verified the correctness and accuracy of the information and data contained in this circular, and accordingly, Alinma Investment or any of its subsidiaries does not bear any responsibility that may result from the incorrectness, inaccuracy or incompleteness of any of the data or information contained herein.

Forecasts and Forward-looking Statements

This Circular contains certain forward-looking statements with respect to Amana. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "will", "goal", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this Circular include, without limitation, statements relating to the following: (i) preliminary estimates of benefits expected from the Merger, future expectations of expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Amana's operations following the Merger; and (iii) the Merger and the dates on which events are expected to occur. Neither the forward-looking statements nor the objectives referred to in this Circular can be ascertained. The advisors whose names appear in Section "**Company's Directory**" of this Circular, or any of their managers or employees shall not be liable for any direct or indirect loss or damage that any person may incur due to their reliance on any information included in the Circular, or the omission of any information not included in this Circular. None of the aforesaid persons intends to update these statements and forward-looking expectations set out in this circular except as required by law.

It should be noted that these forward-looking statements involve known and unknown risks and other factors which may cause the actual results, performance, achievements, or events to be materially different from those contained, expressly or impliedly, in such forward-looking statements. The risks related to the forward-looking statements are beyond Amana's abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Forward-looking statements are not guarantees of Amana's future performance and have not, unless otherwise indicated, been reviewed by Amana's auditors. Such forward-looking statements are based on numerous assumptions, including assumptions regarding Amana's current and future business strategies and organizational procedures to be adopted in the future. The information contained in this Circular is subject to change, in particular Amana's financial condition, and value of shares may be adversely affected by future developments of economic factors, such as inflation, or other economic, political and other factors, which are beyond Amana's control. Therefore, the publication of this Circular or any other oral or written information related to the new shares shall not be construed as an assurance, promise or obligation as to realization of any particular revenue or results. For more information on these risks, please refer to Section No. (2) ("**Risk Factors**") of this Circular.

Publication and Distribution Restrictions

This circular is directed to Amana's shareholders, and may not be published or distributed in any country or legislative jurisdiction other than the Kingdom of Saudi Arabia or any other country or state where this circular is considered to be in violation of its local regulations or laws. Amana will not take any action that allows the issuance of new shares within a state or legislative jurisdiction other than the Kingdom of Saudi Arabia or telepresence via approved means of communication, and Amana's shareholders who reside in a state or legislative jurisdiction other than the Kingdom of Saudi Arabia, must attend Amana's EGM meeting in the Kingdom of Saudi Arabia or vote remotely, or appoint an agent to attend the EGM and vote on their behalf.

Presentation of financial and other information

Enaya's financial statements for the financial years ended 31 December 2017G, 31 December 2018G, 31 December 2019G and the period ended on 30 September 2020G are prepared in accordance with IFRS as adopted in KSA. It should be noted that the financial information contained in this Circular is based on management estimates and has not been independently verified by auditors or otherwise, except as otherwise expressly stated. In addition, all financial information is set out in Saudi Riyals, except as otherwise expressly stated.

This document has been prepared in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia, and accordingly, the size, type and nature of the information contained herein may vary if this document has been prepared in accordance with the laws or regulations of jurisdictions other than the Kingdom of Saudi Arabia. Amana does not intend to take any action to publish this circular or register the shares to be issued in any country other than the Kingdom of Saudi Arabia. This transaction relates to securities of Saudi joint stock companies listed on Tadawul. Therefore, this circular and any other documents or announcements related to the transaction have been or will be prepared in accordance with the information disclosure requirements applicable in the Kingdom of Saudi Arabia only, which may differ from those in force or applicable in other countries.

This circular is not and cannot be considered as a recommendation by Amana's advisors to approve the Merger or as legal, financial or tax advice, and the information contained in this circular is considered general. This circular has been prepared without regard to individual investment objectives, financial situation or special investment needs to any recipient. Recepients of this Circular shall be responsible, before making their decision, to obtain independent professional advice regarding the Merger and to assess the suitability of the information contained herein to their financial objectives and needs. In addition, this Circular is not and cannot be considered as legal, financial or tax advice, and if there is any doubt about its content, or regarding the vote in EGM on the Merger, we recommend that independent financial advice be obtained from any independent financial advisor licensed by CMA.

The contents of Amana's website or any other website where this circular is published, shall not be considered as a part of or complementary to the circular, and none of Amana's advisors bears any responsibility for the contents of such websites.

Company's Directory

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Issuer's Authorized Representatives		
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Source: Amana Company

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الإنماء للاستثمار
alinma investment

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BADRI
MANAGEMENT CONSULTANCY
ACTUARIES | RISK MANAGERS

Amana and Enaya's auditor of hypothetical financial statements

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Amana's auditors for the year ending on 31 December 2018G

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Amana's auditors for the year ending on 31 December 2020G

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Note: The above advisors have given and, as at the date of this Circular, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Circular, and do not themselves, have any shareholding or interest of any kind in Amana as of the date of this Circular.

Sources of Information and Data on Industry and Market

Information and data on insurance sector in the Kingdom contained in this Circular has been obtained from researches on insurance sector derived from publicly available information and special reports developed to study insurance sector in the kingdom. Amana's board of directors believe that the information contained in this circular was obtained from reliable sources. While there is no reason to believe that this information is materially inaccurate, Amana directors and advisors, whose names are stated above, have not independently verified the accuracy of this information and data, and thus there is no guarantee as to its accuracy or completeness. In addition, the studies, reports and market research that Amana management believes are reliable and used in this circular, have not been independently verified and Amana Management does not provide any assurance or guarantees about the accuracy of this information. The information obtained from the report of Central Bank of Saudi Arabia (SAMA) and the information obtained from the reports of the General Authority for Statistics, which were used in this circular, are publicly available, and therefore it is not required to obtain any approval to use such information.

The sources of information and data related to third parties used in this Circular include the following sources:

Saudi Central Bank (SAMA)	
SAMA was established in 1372H corresponding to (1952G); in 2021G, its governing law was changed and its name was amended to the current name. Its functions include the following: • Act as the government bank, and supervise commercial banks • Minting and printing the national currency (the Saudi Riyal), strengthening the Saudi currency and stabilizing its external and internal value • Managing the Kingdom's foreign exchange reserves; • Managing the monetary policy for maintaining the stability of prices and exchange rate; • Promoting the growth of the financial system and ensuring its soundness; • Supervising commercial banks and exchange dealers; • Supervising cooperative insurance companies and the self-employment professions relating to the insurance activity.	King Saud Bin Abdulaziz Street P.O. Box 2992, Riyadh 11169 Kingdom of Saudi Arabia. Tel: 00966 (11) 463 3000 Fax: 00966 (11) 466 2966 www.sama.gov.sa
Saudi Stock Exchange (Tadawul)	
The Saudi Stock Exchange (Tadawul) was established in 1428H corresponding to (2007G). Tadawul is the only authorized entity to operate as a securities exchange in Saudi Arabia, where it lists and trades securities. Tadawul is the official source of all information related to the Saudi stock market.	King Fahad Road - Al – Olaya 6897 Unit No. 15 Riyadh 12211-3388 Kingdom of Saudi Arabia Customer Service: 00966920001919 Email: info@tadawul.com.sa Website: www.saudiexchange.sa
General Authority for Statistics	
The General Authority for Statistics was established in 1379H corresponding to (1960G) under the name of the Department of Statistics and Information, before changing its name to the current name in 1436H corresponding to (2015G). Its functions include, inter alia, the following: To carry out the statistical work as the sole and official reference body and to supervise and organize the technical sector of statistics. Preparing the national strategy for statistical work in the Kingdom of Saudi Arabia in coordination with the relevant authorities, and overseeing its implementation and periodical update. Applying internationally recognized standards, including the methodology of statistical work, design and implementation of surveys, research studies, analysis of data and information, documentation and preservation of information and data. Collect statistical data and information covering all aspects of life in the Kingdom of Saudi Arabia from their multiple sources, recording and tabulation. The information obtained from the reports of the General Authority for Statistics, which were used in this circular, are publicly available, and therefore it is not required to obtain any approval to use such information.	Riyadh - Al Murabba District Prince Abdul Rahman bin Abdulaziz Al Saud Street Riyadh, 11481, P.O Box 3735 Kingdom of Saudi Arabia Customer Service: 920020081 Email: info@stats.gov.sa Website: www.stats.gov.sa

Summary

This summary of the Merger is intended to provide Amana's shareholders with a summary on the Merger. This summary does not contain all of the information that may be important to Shareholders in order to vote on the Merger Resolutions to be proposed at the Amana EGM. Accordingly, this summary must be read as an introduction to the Merger only, and shareholders are advised to carefully read and review this Circular in its entirety and any decision to vote on the Merger Resolutions should be based on a consideration of this Circular as a whole and the information contained herein. It is also important to consider the "**Important Notice**" and Section (2) ("**Risk Factors**") of this Circular carefully prior to deciding to vote in favour of, or against, the resolutions to be proposed at Amana EGM on the Merger.

<table>
<tr><td>Issuer's Name, Description, and Information on its Incorporation</td><td>Amana Cooperative Insurance Company is a listed Saudi joint stock company converted into a joint stock company in accordance with Royal Decree No. M/35 dated 10/06/1430H (corresponding to 03/06/2009G), Cabinet Resolution No. (188) issued on 08/06/1430H (corresponding to 01/06/2009G), license of Ministry of Investment No. (01-102030094185) dated 22/09/1430H (corresponding to 12/09/2009G), and Commercial Registration in Riyadh under No. (1010288711) dated 10/06/1431H (corresponding to 24/05/2010G). It was registered in Riyadh Registry, where the company's head office is located. The company is liicensed by SAMA under No. (TMN/30/20107) dated 24/07/1431H (corresponding to 06/07/2010G).</td></tr>
<tr><td>Amana Company Activity</td><td>Amana's activity, in accordance with its commercial register, is providing health and general insurance.
Amana's activity, in accordance with its articles of association, is to engage in cooperative insurance business, general and health insurance branches, and Amana has the right to undertake all the work that is required to achieve its purposes. It practices its activities in accordance with Cooperative Insurance Companies Control Law, and its implementing regulations and instructions issued by SAMA and rules applicable in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from competent authorities, if any.</td></tr>
<tr><td>Substantial Shareholdes, their shareholdings and number of shares pre- and post-Completion of the Merger</td><td>The table below shows number of shares held by substantial shareholders, percentages of their shareholding in Amana before and after the capital increase:
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="2">After completion of the Merger</th><th colspan="2">Before completion of the Merger</th></tr>
<tr><th>No. of shares</th><th>Percentage</th><th>No. of shares</th><th>Percentage</th></tr>
<tr><td>Amana Gulf Insurance Company BSC</td><td>1,772,975</td><td>13.64%</td><td>1,772,975</td><td>6.14%</td></tr>
<tr><td>Munich Re Company</td><td>2,378,704</td><td>8.24%</td><td>-</td><td>-</td></tr>
<tr><td>National Health Insurance Company (Daman)</td><td>1,585,802</td><td>5.50%</td><td>-</td><td>-</td></tr>
</table>
Source: Amana and Enaya</td></tr>
<tr><td>Amana's capital</td><td>One Hundred and Thirty Million (130,000,000) Saudi riyals.</td></tr>
<tr><td>Amana's total shares</td><td>Thirteen Million (13,000,000) Ordinary Shares</td></tr>
<tr><td>Type of current shares in Amana</td><td>Ordinary Shares</td></tr>
<tr><td>Nominal Value of Each Amana Share</td><td>(10) Ten Saudi riyals per share, paid in full.</td></tr>
<tr><td>Total Number of Consideration Shares to be Issued to the Shareholders Of Enaya</td><td>Fifteen Million EIGHT hundred Fifty-Eight Thousand and Twenty-Four (15,858,024) ordinary shares</td></tr>
<tr><td>Percentage of Consideration Shares to Amana's current share capital</td><td>The Consideration Shares will represent (121.9848) % of the current issued share capital of Amana as at the date of this Circular</td></tr>
<tr><td>Issuance Value of each Consideration Share</td><td>The nominal value of each Consideration Share is ten (10) Saudi Riyals per share. The issuance value of each Consideration Share (as will be recorded on the financial accounts of Amana) will be determined at a later stage on the basis of the closing price of Amana share on the last trading day prior to Completion.</td></tr>
<tr><td>Total Value of the Issuance of the Consideration Shares</td><td>The total nominal value of the new shares is (158,580,240) one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty Saudi riyals, and the total market value of the new shares is based on the closing price of Amana shares of (64.38) Saudi riyals as on 04/28/2021G (i.e. the last trading day preceding the date of signing the Merger agreement) amounting to one billion twenty million and nine hundred thirty-nine thousand five hundred and eighty-five (1,020,939,585) Saudi riyals. The total value of the new shares will be determined (as it will be recorded in the financial statements of Amana) at a later stage on the basis of the closing price of Amana share on the last trading day prior to Completion of the Merger.</td></tr>
</table>

<table>
<tr><td>Description of the Merger</td><td>Amana will provide an offer to Enaya's shareholders for Merging Enaya into Amana and transfering all of Enaya's assets and liabilities to Amana in return for Amana's issuance of fifteen million eight hundred fifty-eight thousand and twenty-four (15,858,024) new ordinary shares with a nominal value of (10) ten riyals per share in favor of Enaya shareholders with a nominal value of one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty (158,580,240) Saudi riyals, where (1.05720160) will be issued in Amana for every (1) share owned in Enaya, which will result in increasing Amana's capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, and increasing Amana's shares from thirteen million (13,000,000) shares to twenty-eight million eight hundred and fifty-eight thousand and twenty-four (28,858,024) shares, where shareholders of Enaya will own (55%) of the Merging company's capital after completing the Merger.

After completing the transaction, Amana will continue to exist and will be the Merging company, while Enaya will cease to exist, will be delisted, commercial registration will be written off and all of its licenses will be cancelled.</td></tr>
<tr><td>Name, Description and Incorporation Information of Merged company (Enaya)</td><td>Saudi Enaya Cooperative Insurance Company, a listed Saudi joint stock company, was established by Royal Decree No. M/49 issued on 07/27/1432H (corresponding to 06/29/2011G) and Cabinet Resolution No. (224) dated 25/07/1432H (corresponding to 27/06/2011G), and Ministry of Investment License No. (01-112031036630) dated 30/02/1431H (corresponding to 14/02/2010G), Commercial Registration No. (4030223528) dated 27/03/1433H (corresponding to 19/02/2012G), It was registered in the Jeddah city registry, where the company's head office is located. Enaya Company began practicing insurance activity in the health insurance branch after obtaining SAMA approval under permit No. (TMN/32/20128) dated 19/09/1433H (corresponding to 07/08/2021G).</td></tr>
<tr><td>Activity of Enaya (Merged company)</td><td>Enaya's activity, in accordance with its commercial register, is providing health insurance. Enaya's activity, in accordance with its articles of association, is to engage in cooperative insurance business, health insurance branch, and Enaya has the right to undertake all the work that is required to achieve its purposes. It practices its activities in accordance with Cooperative Insurance Companies Control Law, and its implementing regulations and instructions issued by SAMA and rules applicable in the Kingdom of Saudi Arabia and after obtaining the necessary licenses from competent authorities, if any.</td></tr>
<tr><td>Enaya's Substantial Shareholdes, their shareholdings and number of shares pre- and post-Completion of the Merger</td><td>The table below shows number of shares held by substantial shareholders, percentages of their shareholding in Enaya pre- and post-completion of the Merger:

<table>
<tr><th rowspan="2">Shareholder</th><th colspan="2">Before completion of the Merger</th><th colspan="2">After completion of the Merger</th></tr>
<tr><th>No. of shares</th><th>Percentage</th><th>No. of shares</th><th>Percentage</th></tr>
<tr><td>Munich Re Company</td><td>2,250,000</td><td>15%</td><td colspan="2" rowspan="2">Not applicable as Enaya's commercial registration will be written off and its shares will be delisted</td></tr>
<tr><td>National Health Insurance Company (Daman)</td><td>1,500,000</td><td>10%</td></tr>
</table>
Source: Enaya Company</td></tr>
<tr><td>Ownership of Enaya's Shareholders in Amana upon Completion</td><td>Enaya's Shareholders will own 55% of the capital of Merging company post the completion of the Merger.</td></tr>
<tr><td>Enaya's capital</td><td>One hundred and fifty million (150,000,000) Saudi Riyals.</td></tr>
<tr><td>Enaya's total shares</td><td>Fifteen million (15,000,000) shares, with a nominal value of ten (10) Saudi riyals per share, paid in full</td></tr>
<tr><td>Related parties</td><td>The Merger involves no related parties.</td></tr>
<tr><td>Overall and detailed value of compensation</td><td>The only compensation for the Merger transaction is that Amana will issue new shares on the effective date of the Merger decision exclusively for the benefit of all Enaya's shareholders in return for transferring all of Enaya's assets and liabilities to Amana at the share swap ratio specified as follows:

Issuance of (1,05720160) new ordinary shares of Amana for every (1) share owned in Enaya, where the total nominal value of new shares is one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty (158,580,240) Saudi riyals, and the total market value of (for new shares based on the swap ratio and the closing price of Amana share of (64.38) Saudi riyals as on 28/04/2021G) which is the last trading day preceding the date of completing the Merger agreement, one billion twenty million and nine hundred thirty-nine thousand five hundred and eighty-five (1,020,939,585) Saudi riyals. The total market value of the new shares will be determined (as it will be recorded in the financial statements of Amana) at a later stage and based on the closing price of Amana shares on the last trading day prior to the date of completing the Merger. It should be noted that Enaya's shareholders will receive any cash consideration as a result of the Merger.</td></tr>
</table>

Structure of the Merger

The below diagram is a simplified description of the Merger structure:



Source: financial advisor, Amana Company, Enaya Company

shareholding structure in Amana pre- and post-completion of the Merger

The table below shows shareholding structure in Amana pre- and post-completion of the Merger:

Shareholder	Before completion of the Merger		After completion of the Merger	
	No. of shares	Percentage	No. of shares	Percentage
Amana Gulf Insurance Company BSC	1,772,975	13.64%	1,772,975	6.14%
Munich Re Company	-	-	2,378,704	8.24%
National Health Insurance Company (Daman)	-	-	1,585,802	5.50%
The public	11,227,025	86.36%	23,120,543	80.12%
Total	**13,000,000**	**100%**	**28,858,024**	**100%**

Source: Amana and Tadawul

shareholding structure in Enaya pre- and post-completion of the Merger

The table below shows shareholding structure in Enaya pre- and post-completion of the Merger:

Shareholder	Before completion of the Merger		After completion of the Merger	
	No. of shares	Percentage	No. of shares	Percentage
Munich Re Company	2,250,000	15%	Not applicable as Enaya will be dissolved as per the Merger	
National Health Insurance Company (Daman)	1,500,000	10%		
The Public	11,250,000	75%		
Total	**15,000,000**	**100%**		

Source: Enaya and Tadawul

Dilution Effects

After the Merger, the ownership percentage of Amana's existing shareholders will decrease from (100%) to (45%), i.e. a decrease of (55%).

Impact on Profitability Per Share

The following table shows the profit per share / (loss per share) for each of Amana and Enaya before the Merger and the hypothetical earnings per share after the Merger (based on the hypothetical financial statements as if the Merger took place at the end of December 31, 2020G).

	Amana 2020G	Enaya 2020G	Consolidated hypothetical financial statements 2020G
profit per share / (loss per share) (SAR)	(2.58)	(1.89)	(3.13)

Source: financial statements of Amana and Enaya and hypothetical financial statements

For more information on profitability per share, please refer to Section (4.9) (the rise and fall in earnings per share as a result of the Merger)

The rationale behind the Merger

It is expected that the Merger will enhance the competitive position of the Merging company, as it will benefit from (1) ability of the Merging company to provide insurance products covering all insurance sectors in the Kingdom of Saudi Arabia, where new insurance products will be covered and diversified in the customer base, (2) strengthening the geographical spread of its business, (3) a reduction in the general and administrative expenses, (4) an improvement in the Merging company's capital, (5) an improvement in the Merging company's ability to invest its funds, (6) the Merging company may obtain a better evaluation by international financial rating agencies, (7) Strengthening the Merging company's ability to negotiate prices with reinsurers, (8) the ability to provide insurance products at more competitive prices in the long term.

Summary of required Key Steps	The key steps required to complete the Merger are as follows: • Publish the invitation to convene the Amana EGM and Enaya EGM on the Merger. • Obtain the approval of the Amana EGM and Enaya EGM on the Merger to increase the capital through issuing new shares in favor of Enaya's shareholders for Merging Enaya into Amana through transferring all of Enaya's assets and liabilities to Amana. • Obtain the approval of Enaya's shareholders through EGM on the Merger on the Offer submitted by Amana's board to merge Enaya into Amana in return for issuing new shares in favor of Enaya's shareholders, and based on swap ratio, (1.05720160) shares will be issued for each (1) share owned in Enaya. • Publish the Amana EGM and Enaya EGM resolutions. • The commencement of the creditors' objection period, which will continue for thirty (30) days as of the date of publishing the EGM resolutions. • The expiry of the creditors' objection period, or settling all of creditors' objections to the Merger (whichever is later) in accordance with provisions of Article (193) of Companies Law. • Effectiveness of the Merger resolution. • Delisting of Enaya shares and listing of Amana's new Shares on Tadawul in favor of Enaya's shareholders. • Amending Amana's articles of association and commercial registration • Transferring all of Enaya's assets and liabilities to Amana, write off its commercial registration and canelling all other licenses.
Entitlement to Profits/ Dividends of the Consideration Shares	Upon the completion of the Merger, owners of the new shares (Enaya's shareholders) will have all rights related to the newly issued shares in Amana, in particular receiving any dividends announces by the Merging company after completion of the Merger.
Required Approvals in connection with the Capital Increase	The Merger and the Capital Increase are conditional upon obtaining a number of approvals as follows: • GAC non-objection in respect of the economic concentration with respect to the Merger. • SAMA approval in respect of the Merger and Amana's Capital Increase, • Tadawul approval for the listing of the Consideration Shares in favor of Enaya's shareholders. • CMA approval of the Capital Increase for Merging Enaya and publication of the Offer Document submitted from Amana to Enaya's shareholders. • CMA approval of convening Amana EGM and Enaya EGM on the Merger. • Approval of Enaya's Shareholders and Amana's Shareholders of the Merger Resolutions at Amana EGM and Enaya EGM. • Obtaining MOC approval for the proposed amendments to Amana's bylaws. • For further information on other conditions of the Merger and on the conditions that • have been satisfied, see Section (6) ("**Legal information**") of this Circular.
Voting Rights of the Consideration Shares	Upon the completion of the Merger, owners of the new shares (Enaya's shareholders) will have all rights related to the newly issued shares in Amana, including the right to vote on resolutions of the oridinary and extraordinary general assembly, in accordance with Companies Law and Amana's bylaws, in addition to the right to receive any dividends announces by the Merging company after completion of the Merger.
Restrictions on Consideration Shares	Except for obtaining approval of SAMA and CMA regarding acting upon Enaya's new shares by founder foreign shareholders, there are no restrictions imposed on the Consideration Shares.

Important Notice

The proposed Capital Increase is subject to the approval of Amana EGM on the Merger and Enaya EGM's approval of the Merger transaction. Therefore, Amana's shareholders are advised to read the Circular in its entirety (not the summary of the Merger only) before voting for or against on the Merger Resolutions and increase Amana's capital for the Merger. (Please refer to Section "**Important Notice**" and Section (2) ("**Risk Factors**") of this Circular carefully prior to making any decision regarding the Merger.

KEY DATES AND MILESTONES

Below is the expected schedule of key events related to the Merger, and any chages to the dates below will be announced on Tadawul and/or Amana's website:

Event	Schedule/Expected Date
1) Actions required in relation to EGM	
Submission of the final draft of the Offer Document to the CMA.	26/04/1443H (corresponding to 01/12/2021G).
CMA's approval of capital increase and the publication of the Offer Document.	02/05/1443H (corresponding to 06/12/2021G).
Publication of Amana's shareholders circular, Offer Document, Enaya's board circular	05/05/1443H (corresponding to 09/12/2021G).
Provide available documents for inspection	From 05/05/1443H (corresponding to 09/12/2021G) to the expiry of the Offer period (from Sunday to Thursday – 9:00 a.m to 5:00 p.m, excluding public holidays in the kingdom).
CMA approval of convening Amana EGM and Enaya EGM on the Merger	15/05/1443H (corresponding to 19/12/2021G).
Publication of the invitation to Amana EGM on the Merger on Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate).	15/05/1443H (corresponding to 19/12/2021G).
Publication of the invitation to Enaya EGM on the Merger on Tadawul website (to refer to the possibility of holding a second meeting within an hour after the end of the first meeting if the first meeting was not quorate).	15/05/1443H (corresponding to 19/12/2021G).
Electronic voting period for Amana EGM.	01/06/1443H (corresponding to 04/01/2022G).
Electronic voting period for Enaya EGM	01/06/1443H (corresponding to 04/01/2022G).
Amana EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital.	06/06/1443H (corresponding to 09/01/2022G).
Amana EGM (second meeting) (if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.	After one hour from the end of the first inquorate EGM meeting.
Enaya EGM (first meeting) – quorum required is shareholders representing at least 50% of the share capital.	06/06/1443H (corresponding to 09/01/2022G).
Enaya EGM (second meeting) (if quorum for first meeting is not attained) – quorum required for the second meeting is shareholders representing at least 25% of the share capital.	After one hour from the end of the first inquorate EGM meeting.
Announcement on the Tadawul website of the Merger Resolutions passed at the Amana EGM (first or second meeting) (or, if the EGM was not quorate, the announcement of such fact).	07/06/1443H (corresponding to 10/01/2022G).
Announcement on the Tadawul website of the Merger Resolutions passed at the Enaya EGM (first or second meeting) (or, if the EGM was not quorate, the announcement of such fact).	07/06/1443H (corresponding to 10/01/2022G).
(2) Actions Required in the event that the first and second EGM are not quorate	
CMA approval to convene a third Amana EGM and/or CMA approval to convene a third Enaya EGM on the Merger	13/06/1443H (corresponding to 16/01/2022G) (in the event that the first or second meeting of the EGM is not held for either companies).
Publication of the invitation to Amana EGM (third meeting) and/or Publication of the invitation to Enaya EGM (third meeting)	13/06/1443H (corresponding to 16/01/2022G)
Electronic voting period for the Amana EGM (third meeting) and/or Enaya EGM (third meeting).	01/07/1443H (corresponding to 02/02/2022G).

Event	Schedule/Expected Date
Third Amana EGM and/or Enaya EGM – the third meeting will be valid irrespective of the number of shares represented in the meeting.	06/07/1443H (corresponding to 07/02/2022G).
Publication and Announcement on the Tadawul website by Amana and/or Enaya of the Merger Resolutions passed at the third EGM (as applicable).	07/07/1443H (corresponding to 08/02/2022G).
3) Creditors Objection Period	
Commencement of Creditors Objection Period	07/06/1443H (corresponding to 10/01/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	07/07/1443H (corresponding to 08/02/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM). Creditors Objection Period will last for thirty (30) days.
Enaya to publish a reminder announcement at the end of the creditor objection period.	06/07/1443H (corresponding to 07/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	07/08/1443H (corresponding to 08/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM).
End of Creditors Objection Period	08/07/1443H (corresponding to 09/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	07/08/1443H (corresponding to 10/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM).
Enaya to announce that no creditors objected	09/07/1443H (corresponding to 10/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	10/08/1443H (corresponding to 13/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM).
4) completion of the Merger	
Effective Date of the Merger.	The later of (i) expiry of creditors objection period; or (ii) the resolution of all objections that have been raised during the creditor objection period. The Effective Date is expected to occur on: 09/07/1443H (corresponding to 10/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	09/08/1443H (corresponding to 12/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).
Enaya Shares Suspension	The first trading period following the Effective Date which is expected to occur on: 09/07/1443H (corresponding to 10/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	10/08/1443H (corresponding to 13/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).
Amana and enaya to announce the Effective Date	09/07/1443H (corresponding to 10/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	10/08/1443H (corresponding to 13/03/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).
Cancellation of the listing of Enaya's shares on Tadawul.	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.
Listing of the Consideration Shares and deposit of the same in the accounts of Enaya's Shareholders who appear in the shareholder register of Enaya by the end of the second trading period after the Effective Date	Within a period of not less than the third trading period and not exceeding the sixth trading period after the Effective Date.
Amendment of Amana's commercial registration certificate.	18/07/1443H (corresponding to 19/02/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	08/09/1443H (corresponding to 09/04/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).
Cancellation of Enaya's commercial registration certificate.	Within a period not exceeding thirty (30) days from the Effective Date. This is expected to occur on: 10/08/1443H (corresponding to 13/03/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	08/09/1443H (corresponding to 09/04/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).

Event	Schedule/Expected Date
Deadline for distribution of proceeds of fractional shares which have been sold.	Within a period not exceeding thirty (30) days from the Effective Date. This is expected to occur on:
	09/08/1443H (corresponding to 12/03/2022G) (if approval is obtained in the first or second meeting of Amana EGM and Enaya EGM).
	08/09/1443H (corresponding to 09/04/2022G) (if approval is obtained in the third meeting of Amana EGM and Enaya EGM, as applicable).

* Note: any changes to these dates will be announced on Tadawul website (www.Saudiexchange.sa)

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1. Terms and Definitions

The following definitions apply throughout this Circular unless the context requires otherwise:

Circular of shareholders circular	This shareholder circular, relating to Amana's capital increase through issuing new shares for the purpose of Merging Enaya Company into an Amana Company, was prepared by Amana in accordance with Article (57) of the Rules on the Offer of Securities and Continuing Obligations and directed and available to Amana's shareholders regarding the capital increase for the purpose of Merging with Enaya.
Amana, Merging or Issuer	Amana Cooperative Insurance Company
Enaya or the Merged company	Saudi Enaya Cooperative Insurance Company
Circular to Enaya's board of directors	The circular issued by Enaya's Board of Directors to Enaya's shareholders regarding the Offer submitted by Amana for Merger, where Enaya's Board of Directors expresses its opinion to shareholders regarding such offer and Amana's plans for Enaya and its employees.
Both companies	Amana Company and Enaya Company
MoU	The non-binding memorandum of understanding concluded between Amana and Enaya on 29/03/1442H (corresponding to 15/11/2020G).
Merger agreement	The Merger agreement concluded between Amana and Enaya on 17/09/1442H (corresponding to 29/04/2021G), which includes the terms and conditions related to the implementation of the Merger and the rights and obligations of the parties in this regard.
Swap ratio	That is, (1.05720160) shares in Amana in favor of Enaya shareholders for every (1) share owned in Enaya.
Merger transaction, transaction, Merger, or Merger process	The proposed Merger between Enaya and Amana in accordance with the provisions of Articles (191) to (193) of the Companies Law and the provisions of sub-paragraph (1) of paragraph (a) of Article (49) of the Merger and Acquisition Regulations, which will result in transferring all of Enaya's assets an dobligations to Amana in return for issuing new shares for the benefit of Enaya shareholders through increasing its capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals.
Offer Document	The Offer Document prepared by Amana in accordance with Article (38) of the Merger and Acquisition Regulations regarding the Offer submitted by Amana to Enaya shareholders, for the purpose of Merging Enaya into Amana in return for transferring Enaya's assets and liabilities to Amana.
Offer period	The period extending from the date of announcing Amana's intention to make an offer to Enaya shareholders until the date of EGM resolution regarding the Merger for both companies, or the termination of the Merger agreement in accordance with its provisions.
Date of termination	It is the date that falls six months after the date of signing the Merger agreement (i.e. on 29/10/2021G) (or any later date agreed upon by both companies in writing). It was also agreed in writing by both companies to extend the termination date to 29/04/2022G.
Termination fees	Termination fees under the Merger and Acquisition Regulations are "arrangements that can be agreed upon (after approval by the Authority) between the Offeror (or potential offeror) and the Offeree company under which the Offeree company is obligated to pay a specified amount of money upon the occurrence of a certain event that would stop the Offer or cause its failure, including, but not limited to, the recommendation of offeree company's board of directors to accept a higher competitive offer. Both companies also agreed, under the Merger agreement, that the amount of termination fees will be three million five hundred thousand Saudi riyals (3,500,000) Saudi riyals, which roughly represents the total expected costs and expenses incurred by each of the parties to the agreement. For more details on termination fees, please refer to Subsection No. (6.5.4) "**Termination Fee**" of this circular).
EGM	The Extraordinary General Assembly meeting of the shareholders of the relevant company, which is held in accordance with its bylaws.

Amana's EGM on the Merger	Amana's EGM, which will be held to vote on the Merger and a number of other related resolutions. Such resolutions are as follows: 1- Approve the terms and conditions of Merger agreement concluded between Amana and Enaya on 17/09/1442H (corresponding to 29/04/2021G). 2- Approve Amana's capital increase from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, and increase the number of shares from thirteen million (13,000,000) shares to twenty-eight million and eight hundred Fifty-eight thousand and twenty-four (28,858,024) shares in accordance with the provisions of the Merger agreement as of the effective date of the Merger resolution in accordance with Companies Law and the Merger agreement. 3- Approve the proposed amendments to Amana's Articles of Association in accordance with the form shown in Annex (5) entitled (Amendments to Amana's Articles of Association related to the Merger transaction) and in accordance with the form described in Annex (5) entitled (General Amendments to Amana's Articles of Association) in this circular. 4- Authorize Amana's Board of Directors to make any decision or take any action that may be necessary to implement any of the above-mentioned decisions. The items of Amana's EGM will be voting on the capital increase, the provisions of the Merger agreement, the proposed amendments to Amana's articles of association regarding the Merger transaction (Annex (5) of this circular), and voting on other proposed amendments to Amana's articles of association (Annex (5) of this Circular), and authoriz Amana's Board of Directors or any person authorized by Amana's Board of Directors to make any decision or take any action that may be necessary to implement any of the mentioned decisions related to the Merger transaction.
Enaya's EGM on the Merger	Enaya's EGM, which will be held to vote on the Offer submitted by Amana and a number of other resolutions. Such resolutions are as follows: 1- Approve the terms and conditions of Merger agreement concluded between Amana and Enaya on 17/09/1442H (corresponding to 29/04/2021G). 2- Authorize Amana's Board of Directors to make any decision or take any action that may be necessary to implement any of the above-mentioned decisions. The items of Enaya's EGM will be voting on the Merger agreement, authorization of Enaya's board of directors, or any person authorized by Enaya's board of directots to make any decision or take any action that may be necessary to implement any of the mentioned decisions related to the Merger transaction.
Capital increase	The proposed increase is to increase Amana's capital from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, through issuing fifteen million eight hundred fifty-eight thousand and twenty-four (15,858,024) new ordinary shares in favor of Enaya shareholders, for Merging Enaya, in return for transferring all of Enaya's assets and liabilities to Amana.
Shares	Ordinary shares with a nominal value of (10) ten riyals per share in the capital of Amana or Enaya
New shares or compensation shares	The new shares in Amana that will be issued to Enaya shareholders as a result of the Merger, which are fifteen million eight hundred fifty-eight thousand twenty-four (15,858,024) new ordinary shares with a nominal value of ten (10) Saudi riyals per share (these new shares do not differ from Amana's current issued shares in any way).
SAMA license	A license to practice insurance and reinsurance business (where applicable, issued by SAMA).
Insurance policy of docuent	A contract whereby the insurance company undertakes to compensate the insured in the event of the occurrence of damage or loss covered by the policy, in return for a subscription paid by the insured to the insurance company.
Insurance	Transferring the burdend of risk from the insured to the insurer (or the insurance company) and compensating those who suffered damage or loss by the insurer (or the insurance company).
Brokers	Insurance brokers who negotiate with insurance companies to complete the insurance process in favor of the insured in return for a fee.
Statutary deposit	A percentage of the paid-up capital of the insurance company that must be deducted as a deposit based on the executive regulations of Cooperative Insurance Companies Control Law.
Reinsurance	Transferring the burdens of insured risks from the insurer to the reinsurer, and compensating the insurer by the reinsurer for the amounts paid to the insured if they suffer damage or loss.
Insurance claim settlement specialist	The legal person who manages, reviews and settles insurance claims on behalf of the insurance company.
total written premiums	The total premiums of insurance contracts written during a specified period without deducting the premiums assigned to reinsurance companies.
Assigned premiums	Premiums ceded to reinsurance companies in the context of reinsurance operations.
Unearned premiums	The portion of written premiums that covers risks relating to subsequent financial periods.
Claims under settlement	Claims and accidents that the insured has notified the insurance company of and that are still under investigation and have not been settled or paid, and they are equivalent to the value of the losses claimed by the insured based on the insurance amounts in the policy.
Insurance policy subscription costs	The total costs of underwriting insurance policies, including commissions, the portion of administration-related expenses and other overhead costs attributable to insurance operations.

Total paid claims	The value of amounts paid by insurance company to the insured as compensation for the risks or damages they were exposed to according to the terms and conditions of the insurance policy.
Net paid claims	Total claims after deducting the sgare of reinsurers from those claims.
Claim settlement	Procedures carried out by insurance companies, whether technical or legal, that may delay the payment of claims to policyholders in the same maturity period.
Unreported born claims	Amounts owed by the insurer in favor of the insured as a result of claims that occurred and were not reported on the date of preparing the financial statements.
Net born claims	Claims that were disbursed during the period after making settlements for outstanding claims.
Surplus of insurance operations	The net business of insurance company from insurance, and represents the difference between total revenues and total costs and expenses.
Doubted debts	These are debts that neither company is sure of its ability to collect from the customer.
Optional reinsurance (Facultative)	An optional method of reinsurance on a case-by-case basis in which the reinsurer has the option to accept or reject the risks offered to it.
Relative reinsurance	The method of distributing insurance amounts (whether premiums or claims) between the insurer and the reinsurer in a specific agreed ratio.
Excess loss (non-proportional reinsurance)	A non-relative type of reinsurance agreement where the insured has to waive some risks within certain amounts exceeding the value of the loss that the insured agreed to accept, and the reinsurer undertakes to accept insurance for the risks assigned to them.
insured	The natural or legal person who concludes the insurance contract.
insurer	An insurance company that accepts insurance contracts from the insured and undertakes compensation for the risks directly exposed to the insured.
Claim	It is a written notice given by the insured to the insurer requesting compensation for a covered accident under the provisions of the insurance policy.
Health insurance	Insurance for medical costs, medicines, all medical and treatment services and supplies, and management of medical programs.
Genera insurance	General insurance includes three types: marine insurance, which includes insurance on seaborne goods and ship hulls, engineering insurance which covers contractor risks, installation and construction risks, electrical and electronic devices, and machinery breakage, and vehicle insurance which covers losses and liabilities related to vehicles except for transportation risks.
Motor insurance	Insurance against losses and liabilities related to vehicles, with the exception of transport risks.
Life insurance	A contract between the insurer and the insured where the insurer undertakes to pay death benefits to the dependent beneficiaries of the policyholder upon their death.
Group insurance	Insurance coverage for a group of people, usually employees of a company or members of an organization. This type of insurance is divided into group motor insurance, group life insurance, and group medical insurance.
Statuary reserve	The amounts that both companies must deduct and allocate to cover their financial obligations.
Reinsurance commission	Commission received on reinsurance by another insurer against all or part of the risks of insurance or reinsurance.
Technical provision	Insurance responsibilities, that is, the value assigned to cover the expected risks resulting from a set of policies and their financial obligations.
Retention ratio	A measure of the written premiums held by an insurance company, which can be obtained by dividing the net written premiums by the total written premiums.
Loss ratio	The ratio of claims incurred to net premiums earned.
Net unified percentage	The net loss rate plus the net commission percentage plus the net expense percentage.
Surplus distribution	It is the method by which the profit of the insurance or reinsurance company is distributed to the policyholders.
Investment portfolio	A portfolio of either investment company is a composite of investment instruments that contains two or more assets.
Stable	A rating that is unlikely to change.
Working day	Any day except Friday, Saturday and official holidays in the Kingdom of Saudi Arabia.
Authority or Capital Market Authority	The Capital Market Authority in the Kingdom of Saudi Arabia.
General Authority for Competition	The General Authority for Competition in the Kingdom of Saudi Arabia

Tadawul or Market	It is the Saudi Tadawul Company (formerly the Saudi Stock Exchange Company) one of the Saudi Tadawul Group companies, established in accordance with the Council of Ministers Resolution on 29/02/1428H (corresponding to 19/03/2007G) in implementation of the Capital Market Law. It is a Saudi closed joint stock company, and the only entity It is authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, where it lists and trades securities.
CMA	The Capital Market Law issued by Royal Decree No. M/30 dated 06/02/1424H (corresponding to 31/07/2003G).
Cooperative Insurance Companies Control Law	Cooperative Insurance Companies Control Law in the Kingdom issued by Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G).
Executive Regulations of the Cooperative Insurance Companies Control Law or Executive Regulations	The Executive Regulations of the Cooperative Insurance Companies Control Law in the Kingdom issued by the Saudi Central Bank on 01/03/1425H (corresponding to 20/04/2004G).
Companies Law	Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G), and amended by Royal Decree No. (M/79) dated 25/7/1439H (corresponding to 11/04/ 2018G).
Merger transaction completion	The day on which the new shares are listed on Tadwaul in favor of Enaya's shareholders in Amana in accordance with the terms and conditions of the Merger agreement.
Merger resolutions	Resolutions that will be presented to the shareholders of both Amana and Enaya in connection with the Merger transaction, as follows: As for Amana: Approval of Merging Enaya with Amana in accordance with the provisions of Articles (191) to (193) of the Companies Law, through the issuance of fifteen million eight hundred fifty-eight thousand and twenty-four (15,858,024) ordinary shares, so that so that (1.05720160) will be issued in Amana in favor of Enaya's shareholders for every (1) share owned by every Enaya's shareholder under the terms and conditions of Merger agreement, including the approval of the following matters related to the Merger: a- Approve the provisions of the Merger agreement concluded between Amana and Enaya on 17/09/1442H (corresponding to 29/04/2021G). b- Approve Amana's capital increase from one hundred and thirty million (130,000,000) Saudi riyals to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty (288,580,240) Saudi riyals, in accordance with the terms and conditions of the Merger agreement, provided that this increase shall take effect upon the implementation of the Merger decision in accordance with Provisions of the Companies Law and the Merger Agreement. c- Approve the proposed amendments to Amana's Articles of Association in accordance with the form set out in Annex No. (1) of this circular, provided that these amendments become effective when the Merger decision becomes effective. d- Authorize Amana's Board of Directors, or any person authorized by Amana's Board of Directors, to make any decision or take any action that may be necessary to implement any of the above-mentioned decisions. As for Enaya: Approve the Offer submitted by Amana for the purpose of Merging Enaya in Amana in accordance with the provisions of Articles (191) to (193) of the Companies Law, by issuing (1.05720160) shares in Amana Company for each share in Enaya and Enaya shall be dissolved as a result, in accordance with the relevant statutory requirements and terms and conditions of the Merger Agreement, including agreeing to the following matters relating to the Merger: a- Approve the provisions of the Merger agreement concluded between Amana and Enaya on 17/09/1442H (corresponding to 29/04/2021G). b- Authorize Amana's Board of Directors, or any person authorized by Amana's Board of Directors, to make any decision or take any action that may be necessary to implement any of the above-mentioned decisions.
GCC	Gulf Cooperation Council.
Government	Government of the Kingdom of Saudi Arabia.
Kingdom	Kingdom Saudi Arabia.
Labor law	The Saudi Labor Law issued by Royal Decree No. (M/51) dated 23/8/1426H (corresponding to 27/09/2005G) and amended by Royal Decree (M/5) dated 01/07/1442H (corresponding to 26/08/ 2020G).
Merger and Acquisition Regulations	Merger and Acquisition Regulations issued by CMA Board pursuant to Resolution No. 1-50-2007 dated 21/09/1428 AH (corresponding to 03/10/2007G) and amended by Resolution No. 3-45-2018 dated 7/8/1439H (corresponding to 23/04/2018G).
Ministry	Ministry of Commerce in the Kingdom of Saudi Arabia.
Rules for Offering Securities and Continuing Obligations	Rules for Offering Securities and Continuing Obligations issued by CMA's Board pursuant to Resolution No. 3-123 - 2017 dated 04/09/1439H (corresponding to 27/12/2017G) and amended by Resolution No. 1- 7- 2021 dated 01/06/1442H (corresponding to 14/01/2021G).

Related parties	According to Rules on the Offer of Securities and Continuing Obligations, it means: 1- Affiliates of the Issuer. 2- Substantial shareholders in the Issuer. 3- Directors and senior executives in the Issuer. 4- Directors and senior executives of the affiliates of the Issuer. 5- Directors and senior executives of the substantial shareholders of the Issuer. 6- Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above. 7- Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above.
Relatives	According to Rules on the Offer of Securities and Continuing Obligations, it means in the OSCO, husband, wife and minor children.
Force majeur	An event or circumstance that neither party to the Merger Agreement can reasonably control, and which has a material effect on the execution of the Merger, (including but not limited to wars, revolutions, labor strikes, riots, terrorist attacks, embargoes, embargoes, Acts of sabotage, threats of war, severance of diplomatic relations, fires, explosions, storms, hurricanes, floods, earthquakes, epidemics, and other physical natural disasters and power outages, and for the avoidance of doubt, the Corona epidemic and the measures taken by any governmental authority in response to it shall not be considered an event. of force majeure events.
Listed	The shares or securities that have been accepted for listing in Tadawul.
Listing date	The date on which the listing of the new shares of Amana will become effective.
Ministry of Investment	The Ministry of Investment in the Kingdom of Saudi Arabia.
SAMA	The Saudi Central Bank (formerly the Saudi Arabian Monetary Agency).
SAR	The Saudi Riyal is the official currency of the Kingdom of Saudi Arabia.
Affiliate	In regards to the company, it is any other company that the company controls.
Substantial shareholder(s)	A person who owns (5%) or more of the shares in Amana or Enaya.
Amana Gulf Insurance Company BSC	Amana Gulf Insurance Company BSC, which was established in 1992 in the Kingdom of Bahrain as a closed Bahraini joint stock company.
Munich Re	Munich Re, founded in 1870, is in the world's reinsurance sector. Munich Re is active in the insurance sector through its subsidiary Ergo Insurance Group, and in the asset management sector through its subsidiary Munich Ergo Asset Management. Munich Re is headquartered in Munich, Germany.
National Health Insurance Company (Daman)	The National Health Insurance Company (Daman), which was established in Abu Dhabi - UAE in 2005G as a public joint stock company, 80% owned by the Abu Dhabi government, while the remaining 20% is owned by Munich Re. The main headquarters of the National Health Insurance Company is located in Abu Dhabi, UAE. The National Health Insurance Company specializes in the health insurance sector.
Offer	The Offer made by Amana to Enaya's shareholders for the purpose of Merging Enaya into Amana in return for issuing new shares to them in Amana in accordance with the provisions of Articles (191) to (193) of the Companies Law and the provisions of subparagraph (1) of Paragraph (a) of Article (49) of the Merger and Acquisition Regulations.
creditors' objection period	The period during which Enaya's creditors are entitled to submit their objections to the Merger in accordance with the provisions of Article (193) of the Companies Law, and it starts from the date of publishing the approval of the Merger resolutions of both Amana and Enaya and continues for a period of (30) days.
Merging resolution effectiveness	After the end of the creditors' objection period or the settlement of all creditors' objections to the Merger (whichever comes later) in accordance with the provisions of Article (193) of the Companies Law.
Closing price	The last price the shares were traded at on the relevant trading day according to the mechanism specified by Tadawul
Listing rules	Listing rules approved by CMA Board Decision No. (3-123-2017) dated 04/09/1439H and amended by CMA Board Decision No. 1-104-2019 dated 01/02/1441H.
Corporate Governance Regulations	Corporate Governance Regulations issued by CMA Board pursuant to Resolution No. (8-16 -2017) dated 16/05/1438H, based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H, as amended by CMA board resolution No. 1-7-2021, dated 01/06/1442H.
Saudization	Employment of a certain percentage of Saudi citizens in oursuant to labor regulations in the Kingdom of Saudi Arabia governing companies operating in the Kingdom
GAZT	The Zakat, Tax and Customs Authority in the Kingdom.
General Authority for Statistics	General Authority for Statistics in the Kingdom.
SOCPA	The Saudi Organization for Auditors and Accountants in the Kingdom of Saudi Arabia.
Ministry of Finance	The Ministry of Finance in the Kingdom.
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia.

GOSI	The General Organization for Social Insurance in the Kingdom.
Financial year	The year ending on December 31 of each Gregorian year.
Articles of Association	Articles of Association of the relevant company.
Income Tax Law	The Income Tax Law issued by Royal Decree No. M/1 on 15/01/1425H.
Senior executives	Any natural person who manages and is responsible for setting and implementing the strategic resolutions of the company, including the CEO, his deputies and CFO.
H (Hijri)	Islamic Calendar.
G (Gregorian)	Gregorian Calendar.
Shareholders	Shareholders of either of both companies.
The public	According to Rules on the Offer of Securities and Continuing Obligations, the Public means any person other than the following: 1- Affiliates of the Issuer. 2- Substantial shareholders in the Issuer. 3- Directors and senior executives in the Issuer. 4- Directors and senior executives of the affiliates of the Issuer. 5- Directors and senior executives of the substantial shareholders of the Issuer. 6- Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above. 7- Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above. 8- Persons who act together in agreement and jointly own (5%) or more of the share class that will be listed.
Financial advisor	Alinma Investment
Amana's legal advisor	Mohammed Aldhabaan Law Firm
Amana's Advisor for financial professional diligence, zakat and tax	KPMG Professional Services
Amana's Actuarial consultant	Badri Management Consultancy
Amana's auditor	Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co. And El Sayed El Ayouty & Co, Certified Public Accountants
auditor of hypothetical financial statements	BAKER TILLY MKM & CO.
Advisors	Each of the financial advisor, legal advisor, financial professional due diligence advisor, actuarial advisor, insurance portfolio valuation advisor, hypothetical financial statement accountant and auditor collectively.
Dollar	US dollar
Person	Any legal or natural person
Financial statements	The audited financial statements of Amana for the financial years ending on December 31, 2018G, 2019G and 2020G, and the audited financial statements of Enaya for the financial years ending on December 31, 2018G, 2019G and 2020G.
Trading period	The times during which shares can be bought and sold in the market as stipulated by Tadawul from time to time.
Announcement or announcing confirmed intention	It is the announcement made on 20/09/1442H corresponding to 02/05/2021G regarding the transaction in accordance with Article 17(e) of the Merger Regulations.
A plan to organize Merging the businesses after completion of the Merger	The plan that will be developed under the supervision of the board of directors of the Merging company to organize the business Merger process after the completion of the Merger (Detailed Transition Plan).
Merging businesses	It means Merging the businesses of both Amana and Enaya (including the Merging of administrative functions, organizational structure, information systems, etc.) to achieve the smooth running of the Merging company's business after the completion of the Merger.
S&P	Standard & Poor's is a US credit rating agency
A.M.Best	A.M. Best is a US credit-rating agency, focusing on the insurance industry around the world.
Moody's	Moody Agency, an American agency specialized in economic research, financial analysis, and evaluation of private and government institutions in terms of financial and credit strength.

"A" Rating	A credit rating by Standard & Poor's means that the rated entity is somewhat exposed to the adverse effects of changes in economic conditions, but has a high capacity to meet its financial obligations. It should be noted that a positive sign (+) has been added for the rating score to show the relative position within the rating categories, where the positive sign (+) indicates the upper limit in the "A" (low risk) group.
"-AA" Rating	A credit rating by Standard & Poor's means that the rated entity has a very high ability to meet its financial obligations. It should be noted that a negative sign (-) has been added to the rating score to show the relative position within the rating categories.
"-A" Rating	A credit rating by Standard & Poor's means that the rated entity has sufficient capacity to meet its financial obligations. It should be noted that a negative sign (-) has been added to the rating score to show the relative position within the rating categories, where the positive sign (-) indicates the upper limit in the "A" group (very low risk).
"BBB" Rating	A credit rating by Standard & Poor's means that the rated entity has sufficient capacity to meet the financial obligations.
"+A" Rating	A rating by AM Best means that the rated entity has an excellent ability to meet its continuing insurance obligations.
"3A" Rating	A rating by AM Best means that the rated entity considers its obligations to be of high quality and subject to a low degree of risk.

2. Risk Factors

Amana's shareholders must carefully read and study the risks contained in this section, in addition to all other sections and information contained in this circular, in order to vote for or against the resolutions presented Amana's EGM regarding the Merger. Note that the risks described in this circular may not include all the risks that Amana and Enaya may face currently or that were detected before or on the date of this circular. It is worth noting that there may be additional risk factors other than the risk mentioned in this section, and these risks may negatively affect the Merging company, but they are either not known to the Board of Directors of Amana at the date of this circular, or they are not considered among the factors that may affect the transaction on the date of this circular or that the board of directors of the Merging company did not consider it to be material to the degree of risk to be disclosed at the date of this circular.

The realization of any of the risks set out in this section will negatively and materially affect the activity of Amanah, its financial position, the results of its operations, future financial flows and the profitability of its shares in the event of the Merger transaction, and the realization of any other risks (other than the risks mentioned below) either due to the lack of knowledge of the Board of Directors If these risks are not considered material at the time of the issuance of this circular, it will also negatively affect the activity of the Merging company, its financial position, its financial flows, the results of its operations and the profitability of its shares. In the event that any of the shareholders needs any additional explanation or has any doubts or concerns regarding the content of this circular and/or the Merger transaction, they must obtain special advice from an independent financial advisor licensed by CMA. It is worth noting that the risks specified below are not listed in a sequence that expresses the extent of their importance and negative impact that may be reflected on Amana in the event of the Merger transaction, and additional risks that are currently unknown or not essential may have the same effects shown in this circular.

2.1 Risks related to the Merger and the combined company business following completion

2.1.1 Risks related to failure to achieve the desired added value from the Merger

Most of the justifications for the Merger (please refer subsection No. (4.2) "**Drivers of Merger and its consequences to Amana**") are related to future expectations, where no assurances can be given of its realization or any of the desired results. Accordingly, if the desired results of the Merger process are not achieved in whole or in part, this will negatively affect the financial performance of the Merging company and the results of its operations after the completion of the Merger.

2.1.2 Risks related to the valuation of swap ratio of the Merger transaction

The number of shares to be issued by Amana according to the capital increase in favor of Enaya's shareholders was determined based on a financial evaluation made on both companies. On the basis of this assessment, the shares swap ratio between the Merging and Merged companies was also determined. The evaluation was conducted after applying the necessary professional standards. The evaluation process was based on the book value of equity of both companies as in the financial statements for the period ending on September 30, 2020G, after making the adjustments resulting from the professional due diligence reports agreed upon between the managements of both companies.

The managements of Amana and Enaya reviewed all the proposed amendments by the professional examination consultants, based on due diligence, to the book value of equity of Amana and Enaya. Both Enaya and Amana have an amount of (24,925,000) Saudi riyals and (62,171,000) Saudi riyals, respectively. (For more information on these amendments, please refer to Section No. (4.4) "**Valuation of Enaya and Amana**" of this circular),

Both companies discussed these proposed amendments to reach an agreement regarding approving or rejecting these proposed amendments by the professional examination consultants, based on due diligence, to both companies, and after that it was agreed to approve a number of amendments to the book value of the equity of both Amana and Enaya (shown in Table No. (13) and Table No. (14) of this circular).

It was agreed by both companies that the equity of Enaya (as on 30/09/2020G) would be modified by reducing it by an amount of (3,100,000) Saudi riyals, and the equity of Amana would be modified (as on 30/09/2020G) by reducing it by its value (33,362,000) Saudi riyals.

Any concealment or obscuration of any of the disclosed information will have a material impact on the evaluation process and related amendments. In addition, it has been assumed that the published financial statements are correct and fair and reflect the correct financial position of both companies. It should be noted that there is a constant risk arising due to the possibility of changing the factors and assumptions on which the evaluation was based and determining the swap ratio agreed upon in the Merger agreement, due to the fact that since the date of 17/09/1442H corresponding to 29/04/2021G (which is the date of signing the Merger agreement) each of the two companies has carried out its usual operating business, and the normal operating business of each company will continue until the completion of the Merger transaction, which makes the financial position of each company subject to change, that in the event that any of the aforementioned assumptions are incorrect or any significant change in the assumptions occurs used as a result of market fluctuations, how the operational business of the two companies is managed, the delay in completing the Merger deal for any reason, or any changes in the political and/or other conditions that may affect the financial position of either company, this will materially affect the evaluation of both companies, which means that the agreed swap ratio does not reflect the fair value of both companies, and therefore the possibility that Amana will issue shares with a value greater than the fair value of the shares of Enaya, which will result in a greater percentage of ownership by the shareholders of Enaya in the Merging company upon the completion of the Merger deal, which will negatively affect the existing shareholders of Amana before the completion of the Merger.

2.1.3 Risks related to post-Merger integration process

The Merger transaction requires setting up a clear mechanism and a dedicated work team to ensure the proper integration of all human and material elements for both Amana and Enaya. A plan will be developed to organize the business integration process after the completion of the Merger process and in coordination between Amana and Enaya. It is worth noting that after the completion of the Merger process, the integration process will result in many coordinated procedures and steps required to be implemented successfully, and this matter may not be available due to the possibility of different mechanisms and methods of work applied by both companies. In the event that Amana is unable to deal with the mechanisms of business integration and manage it effectively, the business and productivity of the Merging company will be affected upon the completion of the Merger and this will lead to the failure to realize the expected benefits from the Merger, and thus negatively affect the Merging company's business, profits, costs, net income, assets, obligations and expectations future results and the consolidated financial results and results of operations after the completion of the Merger transaction.

2.1.4 Risks related to the impact of announcing the Merger on the business of both companies

It is possible that the announcement of the Merger will affect the business of both the Merging and the Merged companies, as a result of shifting the focus of the management of Amana and Enaya to work on completing the Merger, which will affect the level of service provided to current or potential clients of both companies, which may push them not to deal with both companies. In addition to the emergence of any fear or instability among the main employees and managers of both companies in terms of the possibility of losing their jobs after the completion of the Merger. Accordingly, the inability of both companies to deal with and effectively manage these potential repercussions will have a negative impact on the business of both companies, their productivity and their financial results.

2.1.5 Risks associated with delaying or suspending the completion of the Merger transaction due to procedures related to the creditor objection period

In order to complete the Merger transaction, the creditors' objection period referred to in Article (193) of the Companies Law shall expire, and any objections submitted during it shall be settled in accordance with the provisions of the Companies Law. The creditors of Enaya are entitled to object to the Merger transaction within a period of 30 days from the date of publishing the approval of the extraordinary assembly's decisions on the Merger transaction for Amana and Enaya. In the event of an objection from any of the creditors, the Merger transaction will be suspended until the creditor relinquishes his objection, Enaya pays the debt if due immediate, or Enaya or Amana provides sufficient guarantee to fulfill the debt if deferred (for further information, please see the subsection (6.3.3) ("**Creditors' Objection Period**") of Section (6) ("**Legal information**").

It shall be noted that the delay in completing or suspending the Merger transaction due to the creditors' objection period and the procedures for dealing with potential debts (especially if those objections are submitted to the competent courts by Enaya creditors), will lead to the non-realization or delay the desired benefits from the Merger transaction, or will lead to an increase in the costs associated with the transaction, loss of profits, or additional unexpected losses resulting from delaying or suspending the completion of the Merger transaction, and thus negatively affect the Merging company's business, profits, costs, net income, assets, obligations and future expectations.

2.1.6 Risks related to the Merging company's different desire to be liable to risks

It is possible that the desire of the Merging company after the completion of the Merger transaction to be liable to risks differs from the current desire of Amana or Enaya to be liable to risks. As these risks are evaluated by the risk management department of each company independently, and therefore the Merger may lead to directing the risk department of the Merging company differently with regard to the decrease or increase in the desire to be liable to risks. With regard to targeting certain categories of clients or the general policy in dealing with a category of clients, which leads to a reduction in the services and products provided to. Accordingly, in the event of the Merging company's low desire to be liable to risks, the Merging company may not renew insurance policies with some clients of some categories who do not comply with the appropriate risk exposure ratio for the Merging company at the time or reduce interest in them. Or if the Merging company's desire to be liable to risks increases, the Merging company may renew or issue insurance policies with some high-risk clients, which negatively affect the Merging company's business, profits, costs, net income, assets, obligations and future expectations.

2.1.7 Risks related to the opinion of the financial advisor provided to Amana

On 17/09/1442H (corresponding to 29/04/2021G), the Board of Directors of the Amana received an opinion from the financial advisor of Amana "Alinma Investment Company" stating that the financial advisor believes that the swap ratio is fair for the Amana from a financial point of view as on the date of submission the opinion, according to the factors and assumptions described in the opinion (for more details about the opinion, please see Appendix No. (3) hereof). It is worth noting that the evaluation results and methodologies used by Alinma Investment Company in evaluating both companies differ from the methodology and final value agreed upon between both companies, (for further details, please refer to Section No. (4.5) "**Valuation by Alinma Investment Company to Amana and Enaya**").

Since the opinion submitted by the financial advisor will not be updated, there is no guarantee that the financial advisor will have the same opinion about the fairness of the swap ratio on the date of the Extraordinary General Assembly of Amana regarding the Merger transaction, due to the possibility of changing the factors and assumptions on which the opinion was based on the date which such presented. Accordingly, the opinion of the financial advisor of Amana on the fairness of the swap ratio may not reflect the Merging company's opinion on such, which will negatively affect the Merging company's assets, obligations, share profitability and future expectations.

2.1.8 Risks associated with Merging the business

The Merger transaction requires Merging the business of Amana and Enaya, including Merging the administrative functions, organizational structure, information systems, and others. The Merging company will be, and by virtue of the complex nature of the business Merging process, liable to operational risks that result in losses due to the insufficiency or failure of preventive and corrective measures and its internal systems, or due to other external factors. In the event that the Merging company adopted unauthorized transactions, errors in operation, written errors about them, or errors in record keeping resulting from a defect in computer equipment or communication systems, such will negatively affect the Merging company's business. The Merging company cannot guarantee not incurring any losses due to the failure of any of these controls, detection systems or the containment of operational risks in the future. In the event that any of the internal procedures or systems in the Merging company fail to contain, disclose or address these risks quickly and effectively in the event one or all of these risks realized, such will negatively affect the Merging company's business, financial position, results of operations and future expectations.

Which will result in a number of fundamental difficulties usually associated with business Merger, which include but are not limited to:

- The necessity of Merging and coordinating administrative functions, as well as the necessity of improving the organizational structure of the Merging company, Merging information systems and distribution networks, and unifying all facilities and infrastructure.
- Merging and unifying the members of the executive management of both companies and their employees, raising employee morale, and retaining and motivating key employees.
- Accurately assess the contractual, financial, regulatory, environmental and other obligations and responsibilities associated with the investments of Amana and Enaya, including the appropriate implementation of financial and internal control, and the preparation of financial statements in a timely manner in line with the accounting policies of the Merging company.
- The ability to correctly assess market movement, demographics, competitive environment, and growth opportunities in the market.
- Obtaining all necessary regulatory licenses and approvals from the Central Bank, the Capital Market Authority, the Ministry of Commerce and others, or maintaining their validity.

The process of Merging the activities and businesses of both companies involves financial, administrative, legal, operational and labor risks, which include affecting or losing some of the business of the Merging company of losing core employees. Furthermore, some contracts of Amana may be affected by the Merger transaction, which includes contracts for the Merging company's business and the services it provides to its clients. For example, those contracts may include clauses related to exclusivity, which may result in terminating those contracts or demanding certain amounts of money by other parties to those contracts. (which includes compensations) as a result of the Merger transaction.

It is worth noting that Amana was not able to list all of these contracts and therefore being unable to specify all the conditions contained in those contracts and related to the approval of the Merger transaction, which will affect the Merging company as a result of its inability to estimate the losses resulting from those contracts, and thus negatively affect the Merging company's financial position, results of operations and cash flows.

In the event that Amana was unable to obtain the consent of its other parties to the Merger transaction, such will lead to terminating those contracts or demanding certain sums of money by the other parties to those contracts, which will affect the Merging company's business or its liquidity, will as well lead to the company Merging to incur unexpected amounts of money, which will negatively affects its business, financial position, results of operations and future expectations. According to Amana's estimates, the compensation amounts arising from the loss of these contracts amount to about SAR 16.5 million, and the same applies to Enaya contracts, for further details about such, please review the risk factor No. (2.1.11) "**Risks associated with the transfer of Enaya's business, assets and obligations**" hereof.

In the event that the Merging company is unable to effectively deal with and manage the business Merger operations, the expected growth and profitability of the Merging company will be affected, which may lead to a failure to realize the expected benefits from the Merger, especially the benefits referred to in Section 4.2 ("**Drivers of Merger and its consequences to Amana**") hereof, damage the reputation of the Merging company, which will lead to a loss in clients or employees, or damage the commercial reputation of the company and affect the Merging company's financial position, results of operations and cash flows.

2.1.9 Risks associated with the Merging company's revenues and its ability to distribute profits to shareholders

Amana's net revenues amounted to SAR 202.1 million in 2019G, while its net revenues for the year 2020G amounted to SAR 249.3 million. Moreover, Amana did not distribute cash dividends to its shareholders during the past three years 2018G, 2019G, and 2020G, and there are no restrictions imposed on Amana regarding the distribution of profits among its shareholders.

The Saudi Company, Enaya, net revenues amounted to SAR 98.4 million in 2019G, while its net revenues for the year 2020G amounted to SAR 174.3 million, Enaya did not distribute cash dividends to its shareholders during the past three years 2018G, 2019G, and 2020G, and there are no restrictions imposed on Enaya regarding the distribution of profits among its shareholders.

It shall be taken into account that upon the completion of the Merger transaction, the business and revenues of Amana may be affected by a number of risks of operational, financial and economic factors, and factors related to insurance market conditions, which the Merging company may not expect or that may be out of its control, which will affect its business and profitability. In addition, the ability of the Merging company to distribute profits to shareholders may be affected by the restrictions that may be imposed on in the future by Saudi Central Bank, as the distribution of profits to shareholders requires the approval of Saudi Central Bank. Saudi Central Bank may deems it necessary at the time - according to the circumstances - for the Merging company to enhance its capital by keeping profits in the Merging company's financial position and not distributing such in order to support the Merging company's business. The Merging company cannot confirm that its revenues, distributable reserves, share profitability and/or dividend distribution will be equal to or greater than the profitability of Amana per share prior to the completion of the Merger transaction.

2.1.10 Risks associated with Amana incurring some non-recurring costs related to Merging the business of both companies

Amana and Enaya will bear some of the non-recurring costs related to the business Merger plan from the date of signing the Merger agreement until the date on which the Merger decision becomes effective. In addition, the Merging company is expected to incur non-recurring costs related to the business combination of both companies, such as the costs associated with the process of reviewing the identity and brand of the Merging company. Both companies may incur costs prior to the implementation of the Merger or the Merging company after the implementation of the Merger that higher than the expected or allocated to, which leads to a reduction in the expected net benefits from the Merger transaction. According to Amana's estimates, the costs of business integration are expected to reach 2% of the total underwriting costs and expenses, in addition to the total other expenses of Amana for the year ending December 31, 2020G (i.e., about six million Saudi riyals). The higher costs related to business integration than what was estimated by Amana, will negatively affect the Merging company's financial position, liquidity, operations and future results.

2.1.11 Risks associated with the transfer of Enaya's business, assets and obligations

The Merger transaction will be executed in accordance with the provisions of the Companies Law and the Merger and Acquisition Regulations by Merging Enaya into Amana and transferring all Enaya's assets and obligations to Amana. Amana, in cooperation with its advisors, conducted the necessary professional care study on Enaya's business as it deems appropriate under the circumstances. It also reached an agreement with Enaya regarding the exchange factors based on several matters, including the results of the reports prepared by Amana's advisors, which reached through the necessary professional care studies that prepared in connection with the Merger transaction.

he studies of the necessary professional care prepared by Amana may be affected as a result of the difference in the level of disclosure and the internal control laws of Enaya compared to Amana. In the event of the emergence of fundamental operational, legal or financial risks related to Enaya's business, assets or obligations that not monitored by Amana and its advisors during the necessary professional care studies on Enaya, its business and assets, or not anticipated, calculated or disclosed to Amana by Enaya, such risks will negatively and fundamentally affect the Merging company's business and financial position after the Merger.

According to the legal professional care report prepared regarding Enaya, reference made to the credit facilities agreement signed with Saudi British Bank, which included a "change of control" clause that authorizes these parties to amend or cancel the terms of the facilities and demand payment of the fees due as a result of any potential or actual changes may occur on the legal structure or articles of association of Enaya, (for more details on this please see Risk No. (2.2.26) "Risks Related to Credit Facility Agreements" hereof).

In the event that Enaya is unable to obtain the approvals of the other parties in those contracts for the Merger transaction (which may result in the termination of those contracts or demanding certain sums of money by the other parties to those contracts), such will affect the business or liquidity of the Merging company. Will also result in the Merging company incurring unexpected sums of money, which will negatively affect its business, financial position, results of operations and future expectations.

2.1.12 Risks associated with the impact of declining customer confidence

Enaya's total underwritten premiums recorded a compound annual decrease by 25.1% from SAR 274.8 million in 2017G to SAR154 million in 2019G. Primarily due to the decrease in the number of insurance policies underwritten from 2017G to 2018G. However, the renewal rate of issued insurance policies remained low during the period from 2017G to 2019G, driven by the suspension of Enaya's business imposed by Saudi Central Bank during 2018G as a result of non-compliance with the solvency margin requirements. Enaya recorded an increase in the number of insurance policies during 2019G and the nine-month period ended in September 30, 2020G, as a result of lifting the suspension of business by Saudi Central Bank in January 2019G. Considering that the trust factor between Amana and its customers is of great importance to the continuity of revenue and income growth and the strengthening of the financial position. The Merging company cannot guarantee that customers' trust will remain at the same level, especially Enaya customers whose insurance policies will be transferred to upon the completion of the Merger transaction. Also, the Merging company cannot guarantee that the confidence of its current customers will remain at the same level upon completion of the Merger transaction, due to the possibility of shifting the interest and/or focus of some departments in the Merging company to the business Merger process, thus reducing interest and/or focusing on customer service, which in turn will result in decreasing customer confidence in the Merging company. Any decline in the customers' confidence in the Merging company will lead to an increase in the number of cancellations and/or non-renewal of insurance policies in the Merging company, which may negatively affect the Merging company's sales upon the completion of the Merger transaction.

upon occurring any or all of the above-mentioned risks, such will negatively and fundamentally affect the Merging company's business, financial position, results of operations, share profitability and future expectations.

2.1.13 Risks related to the reputation of the Merging company

The reputation of the Merging company is critical to attracting and retaining new clients and forging strong relationships with counterparties. The Merging company's reputation may be damaged in the future as a result of several factors, including, but not limited to, decline in or modification of its financial results, legal or regulatory actions against the Merging company, or employee misconduct that may cause the Merging company to breach the applicable regulatory requirements. Damage to the Merging company's reputation will negatively affect the Merging company, its business, financial position, results of operations and future expectations.

2.1.14 Risks associated with not controlling insurance policy prices

Amana shall apply the instructions of Saudi Central Bank and the recommendations of the actuarial advisor with regard to setting pricing for insurance policies in relation to general and medical insurance policies. Enaya is also obligated to follow these instructions. Where Amana and Enaya annually (and based on the pricing adequacy report issued by the actuarial advisor for each company) and submit the pricing to the Central Bank as a statutory requirement.

Actuarial advisors issue pricing adequacy reports by studying the insurance portfolio owned by Amana and owned by Enaya, based on actuarial data that takes into account the performance of these insurance policies (in view of the performance of the insurance portfolio in general). It is worth noting that all insurance policies owned by Enaya will be transferred to the Merging company upon completion of the Merger transaction. Upon the expiry of the term of these insurance policies and other insurance documents in the insurance portfolio of the Merging company, the actuarial advisor of the Merging company will, upon the completion of the annual pricing adequacy study period, re-examine the pricing adequacy to comply with the statutory requirements, given the insurance portfolio of the Merging company, which will include the insurance policies transferred to from the Enaya).

The recommendations of the actuarial advisor at that time may require changing the prices of the insurance policies of the Merging company's portfolio, due to the possibility of changing the performance of the insurance portfolio at that time. The rise in the prices of some or all of these insurance policies or incorrectly estimating the price, which will lead to the Merging company not being able to attract new clients and losing its current clients, which will affect the Merging company's market share. Failure to estimate the potential risks accurately according to the reports of the actuarial advisor may incurs the Merging company losses and thus negatively and fundamentally affect the Merging company's financial condition, financial position, results of operations and future expectations.

2.1.15 Risks associated with future data

The members of the Board of Directors of Amana believe that the Merger transaction is in favor of the shareholders of Amana, and the justifications for the Merger transaction included herein (please refer to subsection (4.2) "**Drivers of Transaction and its consequences to Amana**" of Section No. (4) "**Merger Transaction**"). It is worth noting that the future results and performance data of the Merging company cannot be accurately and definitively expected. In fact, it may differ from what is found in this shareholders' circular, and the actual results of the Merging company's performance may differ from those studies on which the Merger decision was taken by members of the Board of Directors of Amana. As these studies were done on foundations, including the assumption of the success of the business Merger process and the assurance of business integration upon completion of the Merger transaction. The Merging company may face complications in terms of business Merger and integration, and such wont contribute to achieving the desired benefits from the Merger. Therefore, the Merging company's ability to achieve positive results is linked to the successful achievement of the Merger goals. The Merging company cannot be certain that the Merger objectives will be successfully achieved at the present. Shareholders shall not rely entirely on future expectations and statements. Accordingly, these statements shall not be considered as confirmation that the profit per share of the Merging company will be equal to or greater than the profit per share of Amana for the previous financial periods. In the event that some or all of the expected financial statements in the future not achieved, such will negatively and fundamentally affect the Merging company's business, financial position, results of operations and share profitability.

2.1.16 Risks associated with employee behavior and errors

Amana applies a policy that includes regulating the code of professional conduct of employees, and each administrative department has a policy that includes work procedures and tasks assigned to each department. Enaya also applies the work organization regulation and the code of conduct, which regulate the code of professional conduct of employees. The application of such policies is very important, as help in avoiding employees' mistakes and regulating their behavior to avoid imposing any fines, penalties and/or rising any legal issues as a result of any mistakes made by. The program includes familiarizing the transferring employees with the work environment, culture and structure, as well as the work procedures, activities and internal policies applicable in the Merging company. The Merging company cannot guarantee the success of the employee transition program. Therefore, the Merging company cannot guarantee the compliance of all its employees with the regulations regulating the code of professional conduct of employees, nor can guarantee the reparation of its employees errors and/or misconduct upon completion of the Merger transaction during the course and/or following the expiry of the Merger. The Merging company cannot guarantee that its employees will not commit fraud, willful error, omission, scam, misappropriation, theft, forgery, misuse of property of the Merging company or act on its behalf without obtaining the internally required administrative authorizations and delegations. Therefore, these actions may have consequences and responsibilities towards the clients of the Merging company and/or towards the regulatory and supervisory authorities, therefore the Merging company will bear the fines, penalties and/or compensation for legal cases. If one or all of these risks are realized, such will negatively and fundamentally affect the Merging company's business, financial position, results of operations and share profitability.

2.1.17 Risks relating maintaining solvency margin requirements

According to the requirements of the Central Bank, insurance sector companies shall maintain the solvency margin, which requires maintaining a solvency margin of (100%), as both companies carried out their usual business since the date of signing the Merger agreement, which makes their financial position subject to change, so it is necessary to verify the continuity of compliance with the requirements of the solvency margin of the Merging company upon the completion of the Merger transaction,

According to the estimates of Amana, the solvency margin expected to reach (159%) for Amana after the Merger, and such estimated using the hypothetical financial statements prepared for the period ended on 31/12/2020G.

t is worth noting that the solvency margin of Amana Company reached (-6%) at the end of June 30, 2021G, while the solvency margin of Enaya reached (80%). Communication is currently underway with the Central Bank and Amana to study the situation of the low solvency margin at Amana. As Amana is trying to reduce losses by reducing operating expenses, which would relatively contribute to enhancing the solvency levels of Amana. The Central Bank is currently being provided with continuous reports from Amana on the operational status of Amana and the steps taken in this regard.

It is worth noting that on 12/09/1439H (corresponding to 27/05/2018G), the Central Bank prevented Enaya from issuing or renewing any insurance policies due to Enaya's failure to meet the requirements of the solvency margin, and Enaya has increased its capital to meet the required solvency margin requirements. On 05/18/1440H (corresponding to 24/01/2019G), the Central Bank lifted the ban on Enaya from issuing or renewing any insurance policy, (for more details, please refer to Section No. (2.2.16) "**Risks associated with employee behavior and errors**").

It is worth noting that non-compliance with the solvency margin according to the requirements of the Central Bank, obliges the Merging company to take corrective measures in accordance with Articles (66) and (68) of the Executive Regulations of the Cooperative Insurance Companies Control Law to become at least 100%, and in the event of non-compliance with the provisions thereof, Saudi Central Bank is entitled to take measures that include obligating the Merging company to take all or any of the following measures that fundamentally affect the Merging company's business:

- Increasing the capital of the Merging company
- Price adjustment
- Reduce costs
- Ceasing to accept any new underwriting for any new insurance policy
- Liquidation of some assets of the Merging company
- Any other procedure that the Merging company deems appropriate and approved by the Central Bank

In the event that the Merging company failed to correct its financial position, Saudi Central Bank is entitled to appoint advisor to advise the Merging company or request the withdrawal of the Merging company's license. If any or all of these risks are realized, such will negatively and fundamentally affect the Merging company's business, financial position, results of operations and share profitability.

2.1.18 Risks relating to Aman's accumulated losses

As of December 31, 2018, Amana's accumulated losses amounted (44.57) million Saudi Riyals, which represents 31.84% of Aman's capital (which amounted 140 million Saudi Riyals). While, as of December 31, 2019, the accumulated losses amounted (85.67) million Saudi Riyals which represents 35.69% of Amana's capital (which amounted 240 million Saudi Riyals). As of December 31, 2020, the accumulated losses amounted (147.50) million Saudi Riyals which represents 61.46% of Amana's capital (which amounted 240 million Saudi Riyals).

As of September 30, 2021, Aman's accumulated losses amounted (123.55) million Saudi Riyals, which represents 95.04% of Aman's capital (which amounted 130 million Saudi Riyals).

The sustained losses suffered by Amana indicates uncertainty about Amana's ability to resume performing its business. If Amana, after completing the Merger, is unable to stop losses and treat the existing accumulated losses, this will adversely affect the merging company, the continuity of its business and its financial position.

2.1.19 Risks associated with insufficient reserve

Pursuant to the provisions of Article (69) of the Executive Regulations of the Cooperative Insurance Companies Control Law, Amanah and Enaya shall maintain financial reserve to meet and cover financial obligations. Such reserve includes (1) reserve for unearned premiums, (2) reserve for outstanding claims, (3)) reserve for claims settlement expenses, (4) reserve for risks that have occurred but not yet claimed, (5) reserve for risks not waived, (6) reserve for catastrophes, and (7) reserve for general expenses. The amount of the reserves estimated based on expected trends in the volume of claims and their frequency according to the data available at the time. Setting an appropriate level of claims reserves is an inherently uncertain process due to the difficulty and complexity of making the necessary assumptions. Since the amount of the reserves depends on future estimates, it is possible for the Merged company's reserves to be proved insufficient in any period, and if the actual claims exceed the claims reserve, the Merged company shall increase its reserves, and as a result, it may be proven the reserves allocated to meet the claims of the insurance policies insufficient and therefore the Merging company may need to increase its reserves. Consequently, such will negatively and fundamentally affect the Merging company's business, reputation, financial position, results of operations, share profitability and future expectations.

2.1.20 Risks related to the credit rating of reinsurers

Pursuant to the provisions of the Executive Regulations of the Cooperative Insurance Companies Control Law in relation to reinsurance credit rating requirements, the selection of reinsurers is subject to minimum credit rating limit requirements, which indicate that reinsurers with a credit rating lower than BBB according to S&P or equivalent rating from other rating agencies shall not be dealt with. Amana and Enaya are bound by these terms as on the date hereof. It is worth noting that the Merging company shall, upon the completion of the Merger transaction, continue to comply with the requirements of the reinsurance credit rating set by Saudi Central Bank. The Merging company does not guarantee its compliance with these requirements at all times due to the possibility of reducing the credit rating of the reinsurers during their dealings with the Merging company, in that event, the Merging company shall stop reinsurance arrangements with those companies and find alternatives. It is worth noting that if the Merging company wishes to deal with reinsurers not approved by Saudi Central Bank and/or reinsurers with a rating lower than the regulatory requirements, the Merging company shall obtain a written approval from Saudi Central Bank. Failure to comply with the requirements of the rating of reinsurers will make the Merging company liable to fines and/or penalties from Saudi Central Bank.

2.1.21 Risks associated with management decisions

The results of the Merging company's business depend mainly on the ability of its management to adopt the right and appropriate decisions regarding its business and activities. The expected change in the board of directors of the Merging company and all its committees upon the completion of the Merger transaction, which include the amendment to the current board of directors of Amana, according to the agreed under the Merger Agreement, upon completing the Merger transaction (for more information, please see subsection (4.2.3) "**Proposed amendments to the Merging Company's Board of Directors:**" of Section (4) "**Merger Transaction**" of this circular), may increase the risk of the administrative decisions if the management of the new or reconstituted Merging company takes wrong decisions regarding the Merging company's business, which will negatively affect its business, financial position, results of operations and future expectations.

2.1.22 Risks associated with the miscalculation of risk

Amana conducts detailed studies of potential risks prior to issuing insurance policies for the submitted applications. These studies are carried out by experts in the underwriting process, and they use specific programs in order to estimate potential losses and risks and with the help of the independent actuary, who in turn studies the patterns of risk development and future expectations based on the past performance. If the risks are not accurately assessed, Amana may incur financial losses that negatively affect its business and future performance. It is worth noting that the Merging company may face the risks of the miscalculation of the potential risks by Enaya prior to issuing insurance policies for the applications submitted by its existing clients, Therefore, if it appeared that Enaya miscalculated the potential risks upon issuing these documents, such will negatively affect the Merging company and may incur negative and material financial losses, which will affect its business, financial position and future expectations.

2.1.23 Risks related to risk management policies

Risk management policies depend on observing the historical behavior of the market. Therefore, these policies may not be able to accurately predict the potential risks in the future, which may be greater than those that were inferred through historical means. In light of the lack of available data about the Saudi insurance market, this information may not be accurate, complete, up-to-date or not properly evaluated in all cases, and the Merging company's risk management policies, procedures and controls may not be fully effective in all circumstances and conditions, which will lead to Amana obtaining unauthorized information. In order to assess its exposure to risks on a correct basis, and as a result, the high level of risks to which the Merging company is exposed as a result will negatively affect the Merging company's business, its financial position and the results of its operations, and that the Merging company, after completing the Merger, may face the risks of failure by the previous management Enaya accurately predicts and estimates potential risks in its current operations, which will negatively affect the Merging company's business, results of its operations and future prospects.

2.1.24 Risks related to employees

The success of the Merging company in providing its services depends largely on the ability of the Merging company to attract and retain highly qualified employees, in light of competition and the high demand for these employees. The Merging company cannot guarantee its ability to retain the current main employees working in Amana and Enaya, especially the employees who are dependent on the formation and implementation of the Merging company's strategy and management of its works, as maintaining these employees is subject to a number of factors such as prevailing market conditions and the value of compensation and rewards offered by competing companies for these employees. In the event that the Merging company is unable to maintain these employees, the Merging company may have to bear additional costs related to attracting other similar employees. The delay in attracting replacement employees will affect the Merging company's ability to implement its strategy and thus negatively affect the Merging company and the results of its operations and future prospects.

2.1.25 Risks related to end of service benefits for Amana employees

The inability of the Merging company to retain employees may lead to the unexpected departure of a large number of employees at close times, which may oblige the Merging company to pay large amounts related to end-of-service benefits and deferred bonuses to employees and other end-of-service benefits for its employees. The Merging company must also continue to abide by the work system in its contracts and its relationship with its employees, and in the event that the Merging company does not comply with the requirements of the work system in the future, this may expose the Merging company to lawsuits, which may result in the Merging company's commitment to pay large amounts of compensation, which will negatively affect the Merging company. results of its operations and future prospects.

2.1.26 Tax and Zakat Risks

It is possible that tax or zakat obligations may arise on the shareholders of Amana Company and Enaya Company in or outside the Kingdom of Saudi Arabia as a result of Merging or disposing of their ownership in an Amana Company or Enaya Company or for any other reason, subject to any tax or zakat exemptions or exemptions. The obligations that the two companies or their shareholders may be subject to may include disclosing the Merger deal to the relevant tax and zakat authorities inside or outside the Kingdom or paying any tax or zakat obligations that may arise as a result of the Merger. However, the issue of Consideration Shares is not expected to result in a commitment to revenue fees or the like in the Kingdom (which are fees collected from the relevant government agencies in some countries in exchange for issuing new shares).

The Kingdom's zakat and tax systems do not include anything that allows for the deferment or avoidance of payment of zakat and taxes on Merging operations. It cannot be confirmed that the Zakat, Tax and Customs Authority will not impose any obligations on the Merger deal. Given the expiration of Enaya after the completion of the Merger transaction, the Merging company will be obligated to pay any tax obligations arising after the completion of the Merger transaction.

It is expected that the Merger transaction will take place on a going concern basis for VAT purposes, as defined by the VAT executive regulations. As the process of transferring assets and liabilities on the basis of the principle of going concern is outside the scope of VAT, but it is not clear whether the process of transfer of assets and liabilities (on the basis of the principle of going concern) in the context of the Merger of insurance companies is also outside the scope of VAT.

Due to the flexibility of zakat and tax systems and their change from time to time, the shareholders of the Merging company may be exposed to an increase in zakat and taxes imposed on them due to the issuance of new zakat or tax systems, the amendment of existing laws and regulations, or as a result of zakat and tax practices or interpretations declared or not announced by the Zakat, Tax, and Customs Authority or the tax authorities with jurisdiction outside the Kingdom, or because of judicial precedents in the relevant courts.

It is recommended that Amana shareholders discuss their zakat and tax situations with their financial and tax consultants in case there are any doubts about that.

2.1.27 Risks related to potential control by Enaya shareholders of the Merging company

The total ownership percentage of the shareholders of Enaya in the Merging company after the implementation of the Merger decision will be (55%) of the shares of the Merging company, (including the share of the major shareholders in Enaya (Munich Re and the National Health Insurance Company). Together, they will own a controlling stake in the Merging company, and accordingly, after the implementation of the Merger decision, these shareholders will be able to influence the Merging company's works through their ability to influence its decisions, including the decisions of the ordinary and extraordinary general assemblies of the Merging company.

Also, the sale of a large number of their shares by Munich Re and the National Health Insurance Company (Guarantee) after the completion of the Merger deal will negatively affect the share price of the Merging company, as Munich Re and the National Health Insurance Company (Guarantee) will own (8.24%)) and (5.50%) respectively of the Merging company's capital after the completion of the Merger transaction, and they will not be subject to any prohibition period for selling their shares after the Merger, except for the necessity of obtaining the approval of the Saudi Central Bank and the Capital Market Authority regarding their disposition of the new shares in the Merging company.

Selling a large number of shares in the Merging company after the capital increase after the completion of the Merger deal, will negatively affect the Merging company's share price, as there is no guarantee that these shareholders will retain their shares in the Merging company.

2.1.28 Risks related to Enaya claim after its termination

Under the Merger agreement, Enaya provided a number of assurances and guarantees to Amana Company, which Amana Company relied upon when concluding the Merger agreement. The management of Enaya Company has all the powers to sign and implement the Merger agreement as stipulated in its terms and conditions, and it has been confirmed that there are no other terms or approvals related to the Merger deal except for the preconditions stipulated in the Merger agreement and explained in subsection No. (6.5.1). "**Pre-conditions**" of this circular, It was confirmed that the implementation of the Merger agreement does not conflict with any of the terms and conditions contained in the main documents of Enaya, including the articles of association of Enaya and the main agreements and contracts signed between Enaya and any other parties, and Enaya does not currently have any securities convertible to shares, or any options contracts on its shares, and it does not have any arrangements or agreements in this regard, It was also confirmed that its financial statements are prepared and reviewed in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Auditors and Accountants and that the audited financial statements disclosed to Amana Company for the purposes of preparing the due diligence properly reflect the financial position of Enaya Company. Without any misleading, it was also confirmed that all assets owned by Enaya Company are in good condition and do not require any additional substantial capital improvement expenses, and the assurances granted by Enaya Company included that all assets recorded in the financial statements of Enaya Company are free from any burdens or mortgages except for what disclosed to Amana Company, In addition, Enaya does not have any potential obligations or outstanding loans that have not been paid on the date of signing the Merger agreement, except for what was disclosed to Amana Company (for more details about potential obligations and pledges, please see Section No. (5.7) "**Contingent Obligations and Undertakings**" of this circular). Also, except for what has been disclosed to Amana, Enaya is not a party to any binding agreement involving any material rights or obligations. Enaya also confirmed that it maintains sufficient provisions to meet potential obligations in relation to the end of service for Enaya employees, and all labor cases based on Enaya have been disclosed (for more details, please see Risk Factor No. (2.2.7) "**Risks Associated with Claims labour-related issues Based on Enaya Company.**" and Section No. (6.8) "**Lawsuits and Claims against Enaya Company**") of this circular, and it was also confirmed that Enaya does not have any other programs or arrangements related to retirement or savings programs for its employees, and the assurances included that except What has been disclosed to Amana Company, Enaya does not have any other dealings with related parties (for more details please see Risk Factor No. (2.2.17) "**Risks related to relevant party transactions**" of this circular). It was also confirmed that all amounts or tax or zakat claims due to the Zakat, Tax and Customs Authority or the amounts due to the General Organization for Social Insurance have been settled, except for what was disclosed to Amana Company (for more details about it, please see Risk Factor No. (2.2.24) "**Risks related to value added tax**" and risk factor No. (2.2.25) "**Risks related to end of service benefits for Amana employees**" of this circular). It was also confirmed by Enaya Company that there are no cases or lawsuits filed against Enaya except what was disclosed to Amana Company on the date of signing the Merger agreement (for more details about this, please see Section No. (6.8) "**Lawsuits and Claims against Enaya Company**" from this circular).

In the event that it becomes clear after the completion of the Merger that any of the guarantees and assurances provided by Enaya is incorrect or accurate, Amana will not be able to claim any compensation from Enaya for any losses arising from the incorrectness of these assurances and guarantees, as Enaya will lapse as a result of the completion of the Merger. Merger deal. Accordingly, in the event that material losses arise as a result of the incorrectness or accuracy of any of the guarantees and assurances provided by Enaya, this will adversely affect the Merging company's works, financial conditions and results.

2.2 Risks related to Enaya Company

2.2.1 Risks related to the Merged company not disclosing all material information during the due diligence process

The Merger transaction will be executed in accordance with Articles (191), (192) and (193) of the Companies Law and subparagraph (1) of Paragraph (a) of Article (49) of the Merger and Acquisition Regulations, by Merging Enaya Company into a trust and transfer company. All of Enaya's assets and liabilities are to the Merging company. For this purpose, Amana Company, in cooperation with its consultants, conducted a financial, legal, and actuarial due diligence inspection of Enaya's business. It was also agreed between the companies on the coefficient and value of the shares exchange based on several matters, including documents and information that were provided by Enaya to Amana Company within the framework of due diligence procedures.

It is worth noting that on the date of preparing the Legal Professional Care report, the legal consultant of Amana was not provided with a number of documents, such as: the approvals of the Saudi Central Bank for the appointment of a board member, the appointment of members of the committees emanating from the Board of Directors of Enaya, the formation of an additional committee affiliated to the board of directors of the Merged company, and the approval of The Saudi Central Bank and other parties concerned with the restructuring of a previous capital in the Merged company, a number of expired medical services contracts, the main lease agreement concluded between Al-Ajlan Holding Company and Enaya Company, and a document stating that the guarantee issued by SABB Bank and submitted to the Zakat, Tax and Customs Authority has been released About it, in addition to the reinsurance strategy, documents showing that the SABB facility agreements are still valid as confirmed by the management of the Merged company, documents stating and clarifying the status of the "Term Deposit Mortgage Agreement", as well as the updated Social Insurance Certificate, updated Balady Certificate, and updating the registered trademark, document Clarifies claims incurred, reinsurance agreements, document detailing losses. Also, not all insurance policies were seen and no documents were seen showing the claims incurred or details of the newly incurred losses) consultants.

In the event of any operational, legal, or financial risks arising in relation to Enaya's business, assets, or liabilities was not disclosed or reached during Amana and its consultants conducting due diligence procedures on Enaya, its works, and its assets, or if it was not expected, calculated or disclosed by Enaya or any of its consultants, those risks (or information that was not Disclosed to Amana Company) to negatively and materially affect the Merging company's business, financial condition and results after the completion of the transaction.

2.2.2 Risks related to the development of the current works of the Merged company

The current works and activities of the Merged company may not grow as expected after the completion of the Merger deal, including its ability after the completion of the Merger deal to maintain the current main employees of Enaya Company and its main customers or provide appropriate market conditions for the development of its business, and thus this will negatively affect the results of operations The Merging company, its financial position, and future prospects.

2.2.3 Risks related to the concentration of insurance activity on the health sector

The total insurance premiums written by Enaya Company focused on the health sector, where it constituted 100% of the total written premiums as on December 31, 2018G and 2019G and as on December 31, 2020G.

It is worth noting that the focus of the insurance activity of Enaya Company on the health sector directly affects the distribution of the insurance portfolio of Enaya Company for the purpose of managing the portfolio, as the health sector is expected to constitute more than 60% of the total insurance portfolio of the Merging company after the completion of the Merger deal. The concentration of total written premiums on the health sector makes Enaya company being directly affected if the demand decreases or the supply of health insurance products increases and/or Enaya is unable to renew the existing insurance policies and/or is unable to subscribe to new insurance policies.

2.2.4 Risks related to accumulated losses and a decrease in the solvency margin of Enaya Company

The financial due diligence inspection showed that Enaya recorded a net loss of SR 14.5 million at the end of 2017G, while the net loss of Enaya Company amounted to SR 94.2 million at the end of 2018G as a result of the high claims incurred on Enaya, which It amounted to (174) million Saudi riyals during the year 2018G.

The accumulated losses of the Enaya Company as at the end of March 2018G amounted to 74.5% of the capital of the Enaya Company, and in light of this, the Enaya Company reduced its capital from (200) million Saudi riyals to (100) million Saudi riyals to extinguish the accumulated losses, as The accumulated losses were reduced by (100) million Saudi riyals, and on 26/09/1439 AH (corresponding to 10/06/2018G) the Extraordinary General Assembly of Enaya Company approved the capital reduction. As a result of the capital reduction process, the percentage of accumulated losses to the capital of Enaya Company decreased to 26.19% at the end of June 2018G, 23.08% at the end of September 2018G, and 44.7% at the end of 2018G.

It is worth noting that on May 27, 2018G, Enaya received a letter from the Central Bank regarding its non-compliance with the requirements of financial solvency according to Article 66 of the Executive Regulations for Monitoring Cooperative Insurance Companies, whereby the financial solvency at the end of 2018G amounted to 36.6%. Accordingly, the Central Bank directed Enaya Company By appointing an consultant to it in relation to reviewing and evaluating Enaya's works and providing the Central Bank with weekly reports in this regard, and Enaya has appointed an consultant for this.

The financial due diligence inspection also showed that Enaya had received a letter from the Central Bank on July 18, 2018G, including issues related to risk assessment, Enaya corporate governance, contingency plan, and internal control. Accordingly, the Central Bank has directed the appointment of an independent consultant to Enaya Company to conduct a detailed review of the observations received from the Saudi Central Bank.

Based on the results of the report of the independent consultant of Enaya Company for reviewing and evaluating its works, Enaya Company increased its capital from SR 100 million to SR 300 million in order to raise the solvency margin and enhance its works, and on 05/04/1440 AH (corresponding to 12/12/2018G). The Extraordinary General Assembly of Enaya Company approved the process of increasing the capital through a rights issue.

As a result of the improvement in the required solvency margin as a result of the process of increasing the capital of Enaya Company, on January 24, 2019G, Enaya received a letter from the Central Bank of Saudi Arabia stating that the ban on issuing or renewing any insurance policies had been lifted.

The solvency assessment report prepared by the actuarial consultant also showed that the increase in the loss rate of Enaya during the year 2018G was largely due to insurance policies written for large groups of clients, which were made on unprofitable terms for Enaya Company and Enaya's lack of focus on the small and medium enterprises sector which usually have a lower loss rate compared to large groups of clients. The solvency assessment report prepared by the actuarial consultant also indicated that Enaya should focus on a number of points in order to raise the level of internal procedures with regard to underwriting activities in insurance policies, and claims management.

Enaya Company's net losses amounted to SR 106.2 million at the end of the year 2019G. The reasons for the loss are largely due to the decrease in net written premiums, which decreased by SR 145.5 million during the year 2019G, while the loss rate increased to (121) %) by the end of the year 2019G, and the accumulated losses amounted to SR 150.9 million, representing (50.3%) of the company's capital at the end of the year 2019G.

During the year 2020G, Enaya's net loss decreased to (28.4) million SAR compared to the loss achieved in 2019G of (106.2) million SAR, due to the increase in net written premiums and the decrease in the loss rate compared to the year 2019G.

On 05/23/1441 AH (corresponding to 01/18/2020G), the Board of Directors of Enaya Company recommended reducing the capital of Enaya Company from (300) million riyals to (150) million Saudi riyals to extinguish the accumulated losses, and the Extraordinary General Assembly agreed to reduce Capital on 08/29/1441 AH (corresponding to 04/22/2020G) As a result, the percentage of accumulated losses to the capital of Enaya Company decreased to 19.5% by the end of the year 2020G.

It is noteworthy that the accumulated losses of Enaya amounted (74.05) million Saudi Riyals, representing 49.37% of Enaya's capital as of September 30, 2021G.

The continued accumulation of losses indicates the uncertainty about Enaya's ability to continue as a going concern. It should be noted that the assets and liabilities of Enaya Company will be transferred to the Merging company after the completion of the Merger deal, and the Merging company must take corrective measures with regard to stopping the losses resulting from the works of the Enaya Company transferred to it, in the event that the Merging company is unable to stop the losses resulting from the works of the Enaya company. Inaya, transferred to it, after the completion of the Merger deal, will have a negative impact on the works of the Merging company, its financial position, results, share profitability and future expectations, and on achieving the desired benefits from the Merger deal.

2.2.5 Risks related to the concentration of Enaya Company customers

The due diligence inspection prepared on Enaya Company showed that there is a high concentration in enaya's company customers during the past years, as the percentage of total written premiums realized from the top ten customers of Enaya Company amounted to 34.4% at the end of 2018G, while it increased to 44.2% by the end of 2019G, the percentage of total written premiums realized from the top ten customers of Enaya Company continued to rise, reaching 53.4% at the end of the year 2020G.

By analyzing the percentage of total written premiums achieved by the three largest customers of Enaya Company, the percentage reached 19.6% at the end of the year 2018G, while it rose to reach 25.7% in the year 2019G ad and this percentage continued to rise to reach 43.2% of the total written premiums of Enaya Company at the end of the year 2020G.

It should be noted that Enaya Company has a high geographical concentration in written premiums, as the written premiums from jeddah city customers constituted 77.9% of the total written premiums of Enaya Company for the year ending on december 31, 2020G.

The high percentage of customers' concentration makes Enaya Company vulnerable to a direct negative impact if the demand from one of enaya's company main customers decreases and/or Enaya Company is unable to renew the existing insurance policies with its existing customers. In the event that the Merging company is unable to reduce the percentage of customer concentration and diversify the insurance portfolio geographically after the completion of the Merger deal, this will negatively affect the Merging company's business, financial position, results and future expectations, and to achieve the desired benefits from the Merger deal.

2.2.6 Risks associated with lawsuits and legal disputes based on Enaya Company

The legal and financial due diligence inspection prepared against Enaya Company showed that there are a number of existing lawsuits against Enaya Company, which number (2), and their claims total 924,000 saudi riyals, filed by saba medical company with a value of 154,000 saudi riyals, and the health insurance council with a value of 770,000 saudi riyals on Enaya Company, it is worth noting that the lawsuit and claims are still pending against Enaya Company as at the date of this circular. (for more information about enaya's company legal disputes, please see section (6.8) ("**Lawsuits and Claims against Enaya Company**") of this circular.

By virtue of the transfer of the assets and obligations of Enaya Company to the Merging company upon completion of the Merger deal, (and in the event that the cases continue beyond the effective date of the Merger decision), in the event of judgments being issued against Enaya Company, the Merging company will bear the settlement of the amounts of these judicial claims, and it must be emphasized that the value of the claims is an estimate judicial disputes are, by their nature, subject to the discretion of the court and the judicial disputes are, by their nature, subject to the discretion of the courts and the judicial authorities dealing with them.

Therefore, neither Enaya Company nor the Merging company can report an exact and final amount representing the final value of such court claims. in the event that these cases result in decisions to compel Enaya Company to pay claims and/or pay other unexpected substantial amounts, or in the event that new fundamental cases related to Enaya Company are currently unknown, or in the event that new cases arise related to claims that do not currently exist and decisions or judgments have been issued in them not for the benefit of Enaya Company. after the completion of the Merger deal, the Merging company will be obligated to pay all those compensations, and this will have a materially negative impact on the Merging company's business, financial condition, results of operations and profitability of its shares.

2.2.7 Risks Associated with Claims labour-related issues Based on Enaya Company.

The legal and financial due diligence inspection carried out on Enaya Company showed that there are a number of claims related to labor cases field against Enaya Company, amounting to (5) labor clases. The total amounts of labor claims claims are about nine hundred thousand (900,000) saudi riyals, including three labor lawsuits in the amount of five hundred thousand (500,000) saudi riyals for the year 2020G, while the Enaya company has two invitations in the amount of four hundred thousand (400,000) saudi riyals for the year 2021G, and these labor claims relate to former employees of the Enaya company. It is worth noting that one labor case referred to above has been settled.

For more information on claims of labor cases brought against Enaya company, please refer to section (6.8) ("**Lawsuits and Claims against Enaya Company**") of this circular.

By virtue of the transfer of the assets and obligations of Enaya company to the Merging company upon completion of the Merger deal, (and in the event that the cases continue beyond the effective date of the Merger decision), and if these cases result in decisions obligating Enaya company to pay the claims, the Merging company will be obligated to pay all such compensations this will fundamentally and negatively affect the Merging company's business, financial condition, results of operations and profitability of its shares.

2.2.8 Risks associated with rising receivables to reinsurers

Reinsurers' receivables for insurance premiums increased from about 24.9 million saudi riyals as on december 31, 2018G ad to about 31.8 million saudi riyals as on december 31, 2019G, while it amounted to about 32.8 million saudi riyals as on december 31, 2020G ad this is due to the increase in written premiums related to reinsurers receivable under the excess of loss and reinsurance agreement entered into with the american reinsurance group. in accordance with the reinsurance agreement signed with american reinsurance group, the reinsurer bears any excess loss claims from the premiums included in the reinsurance agreement.

It is important to note that the reinsurance agreement with the american reinsurance group expired during the year 2018G, and Enaya company considered the receivables based on the american reinsurance group as doubtful debts and made provision for them at a value of 3.0 million riyals and 6.8 million saudi riyals for the years ending 31 december 2019G and 2020G respectively.

In August 2021G, Enaya Company made a final settlement with the american reinsurance group, according to which a value of 0.4 million saudi riyals will be collected from the total outstanding receivables. it should be noted that the receipt of settlement amounts is still under procedure until the date of this circular (for more information, please refer to subsection no. (5.6.1.5) "**Reinsurers' receivables**" from section no. (5) "financial information, discussion and management analysis" of this circular). except for what was disclosed in this risk and in connection with the settlement with the american reinsurance group, Enaya company has not written off any other receivables related to the reinsurers, and if the company is unable to collect the receivables for the reinsurers, this will have a negative impact on the company's business the Merger, its future expectations, the results of its operations and its financial position.

2.2.9 Risks associated with low rates of renewal of insurance policies

The financial due diligence showed a decrease in the total insurance premiums written for Enaya company by a compound annual decrease of 25.1% from 274.8 million saudi riyals in 2017G to 154.0 million in 2019G, primarily due to the decrease in the number of insurance policies written from 2017G ad until in 2018G, the decrease in the number of policies between 2017G and 2018G was driven by the suspension of the business of the Merged company imposed by the saudi central bank during 2018G as a result of non-compliance with the solvency margin requirements, while the Merged company recorded an increase in the number of insurance policies during 2019G and 2020G, reaching the number of policies is 1,801 and 8,008 for the years 2019G and 2020G, respectively, as the number of policies increased by 334.6% between 2019G and 2020G, as a result of lifting the business suspension by the Central Bank of Saudi Arabia in january 2019G and as the insurance policies of Enaya Company customers will be transferred to the Merging company after completion of the integration process. in the event that the rates of renewal of insurance policies for clients moving from Enaya Company to the Merging company continue to decline after the completion of the Merger process, this will negatively affect the Merging company's business, financial position and results of operations.

2.2.10 Risks associated with losing a number of Enaya's Company main customers

The financial due diligence inspection showed that there is a high rate of loss from dealing with a number of main customers of Enaya Company during the study period for the years 2018G, 2019G and 2020G By reviewing the data of the largest customers, contributing to the decrease in the total written premiums of Enaya Company during the mentioned periods, the total written premiums from these customers decreased from 32.9 million Saudi riyals in 2018G to 15.2 million Saudi riyals by the end of 2019G, a decrease of 54% compared to the year 2018G, while Enaya Company did not achieve any written premiums from these customers during the year 2020G, recording a 100% decrease in the year 2020G compared to the year 2019G.

Whereas, the financial due diligence revealed that the achieved decrease is due to a number of enaya's company largest customers of Enaya company, where the written premiums of these customers decreased by 48.2 million, as follows: (al arrab contracting company (23.7 million saudi riyals), safari group by (11.6 million saudi riyals), money group (4.9 million saudi riyals) kingdom hospital (3.5 million saudi riyals) mick arabia (4.5 million saudi riyals).

This is mainly due to the central bank's decision to suspend enaya's company business in 2018G due to the decrease in the solvency margin of Enaya company, in addition to the high prices for renewing insurance policies, which led to a decrease in the number of major clients of Enaya company. the continued high risk of losing clients and the inability of the Merging company to modify and improve the mechanism of customer risk assessment, and customer retention policies after the completion of the Merger process, will negatively and fundamentally affect the Merging company's business, financial position, results of operations and profitability of its shares.

2.2.11 Risks related to the increase in provisions for depreciation of fixed assets of Enaya Company

The financial due diligence inspection showed that Enaya company has an increase in the total depreciation provisions calculated on fixed assets during the year 2020G for improvements to leased buildings, computers, cars, furniture and furnishings, which amounted to 99.9%, 85.6%, 82.0%, 84.5% over straight. which may require additional investments to purchase alternative assets after the completion of the Merger deal, which could negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and to achieve the desired benefits from the Merger deal.

2.2.12 Risks Associated with Late Collection accounts receivable of underwritten insurance premiums

The financial due diligence inspection showed that the net receivables for written insurance premiums amounted to (49.1) million saudi riyals as on december 31, 2020G, while the total receivables for written insurance premiums and due for a period of more than 360 days amounted to (23.9%) of the total receivables for insurance premiums written as on december 31, 2020G, while the net receivable for insurance premiums amounted to (48.8) million saudi riyals as of june 30, 2021G.

Also, according to the financial due diligence report, credit balances of (0.7) million saudi riyals were recorded, which are supposed to be collected within a period ranging between 181-360 days and related to expired insurance policies issued to one of enaya's company customers, and a provision has been made for them. 25% of the balance amount for the year ending december 31, 2020G, and Enaya company has transferred these amounts to the collection department for follow-up with the value of the outstanding receivables (and for more information, please see subsection no. (5.6.1.3) "**Debit premiums, net**" from section no. (5) "**Financial Information and Management Discussion and Analysis**" of this circular).

The high percentage of overdue and uncollected receivables reflects the difficulty that Enaya Company management faces in collecting receivables. which will negatively affect the liquidity levels of enaya company. the financial due diligence inspection also showed that Enaya Company does not maintain an approved policy regarding the calculation of provisions for doubtful debts. this reflects a weakness in the internal control of Enaya Company with regard to the follow-up and collection of receivables, as it calculates these provisions under the provisions of article (69) of the executive regulations of the cooperative insurance companies control system. these provisions include the following:

1- Allocations for unearned premiums.
2- Allocations for outstanding claims.
3- Allocations for Claims Settlement Expenses.
4- Allocations for risks that have occurred and have not yet been claimed.
5- Allocations for risks that have not been waived.
6- Disaster Allocations.
7- Allocations for general expenses.

It should be noted that Enaya Company calculates allocations for outstanding debts that are more than 90 days old. The following is a summary of the policy for calculating the allocations:

Table No. (1): Summary of the allocations calculation policy

Period	Percentage
Between 91-180 days	15%
Between 181-360 days	25%
More than 360	100%

Source: Enaya company

The inability of the Merging Company to take appropriate measures that would improve collection levels and procedures after the completion of the Merger deal will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and to achieve the desired benefits from the Merger deal.

2.2.13 Risks related to the high turnover of Enaya Company employees

The financial due diligence inspection showed a high rate of employee turnover at Enaya Company, where the employee turnover rate was about 19.9%, 26.9%, and 45.2% in the years 2018G, 2019G and 2020G, respectively. The increase in employee turnover during the year 2019G is due to the organizational restructuring project carried out by Enaya Company, which resulted in reducing the number of employees in the operational, medical and customer service departments, as Enaya Company relies on a third party to accomplish such works.

While the reason for the high employee turnover rate in 2020G is due to Enaya's Company reliance on outsourcing claims management to a third party, which led to the reduction of a larger number of employees during the year 2020G.

It is worth noting that the internal audit report prepared by the internal audit department and the compliance and compliance department indicated that there are gaps in compliance with the requirements of the central bank, including the lack of sufficient human resources and the experience necessary to manage risks in Enaya Company.

The inability of the Merging Company to put in place the necessary measures to limit the continued high rate of employee turnover after the completion of the Merger deal will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and to achieve the desired benefits from the Merger deal.

2.2.14 Risks related to Enaya's Company technical and information security systems

According to the results of the financial due diligence inspection, Enaya Company did not update the data protection systems, as six copies had passed, and in November 2020G, Enaya Company updated its information protection systems. In addition, Enaya Company does not maintain security systems for the Riyadh branch.

Enaya Company uses mename (cloud storage) as an information system for human resources management, noting that this system has not been linked to the main system of Enaya Company (Oracle E-Business) until the date of this circular. In addition, Enaya Company uses the (Toshfa) application. To manage claims and subscriptions.

Completing the Merger deal before updating the technical and information security systems and linking the internal systems among them may expose the Merging Company to technical risks, in addition to additional costs for modernizing and developing the systems, which will negatively affect the Merging company's business, financial position, share profitability and results of its operations.

2.2.15 Risks Associated with Lack of Enaya Company Property and Equipment Insurance

The financial due diligence revealed that Enaya Company does not have insurance policies on its property of buildings and equipment against losses or damages, which may lead to Enaya Company incurring material losses in the event of any potential risks related to property or equipment if a Enaya Company continues to fail to secure this type of risk, the Merging Company is exposed to material losses as a result, which will negatively affect the Merging company's business and its financial position after the Merger.

2.2.16 Risks related to Enaya's non-compliance with statutory requirements

The due diligence financial examination revealed that during the study period Enaya was subjected to a number of fines and violations from the relevant supervisory authorities. as follows:

- Enaya received a letter from the Central Bank on 13/09/1439H corresponding to 27/05/2018G, regarding the failure of the Merged company to meet the requirements of the solvency margin required by law, and prohibiting Enaya from issuing or renewing any insurance policies. The Central Bank requested Enaya to contract with an independent financial advisor to carry out a review and assessment of the weaknesses and observations related to Enaya,
- On 06/11/1439H corresponding to 07/18/2018G, Enaya received another letter from the Central Bank regarding the existence of weakness in the company's internal control and in the application of some systems, regulations and instructions issued by the Central Bank, especially with regard to the governance of Enaya and the Audit Committee in Enaya. The Central Bank obligated Enaya Company to appoint an independent financial advisor approved by the Central Bank. The independent financial advisor shall evaluate the work of the Board of Directors of Enaya, its effectiveness, and its control over the main committees emanating from it.
- On 2/2020G, the Central Bank imposed a financial penalty of SAR 90,000 on Enaya Company due to not obtaining prior approval from the Central Bank regarding the appointment of the company's financial manager, and Enaya paid the fine.

- On 9/2020G, the Central Bank imposed a financial penalty of SAR 15,000 on Enaya (which has been settled) as a result of Enaya's failure to take a number of preventive measures and precautions to prevent the spread of Corona Virus 9 (COVID-19), which are:
  - Insufficient space between employees.
  - Lack of awareness regarding health and safety and precautions such as (measuring the temperature and obligating to wear a mask upon entering the facilities of the Enaya).
- In November 2020G, the Central Bank imposed a financial penalty of SAR 200,000 on Enaya, due to a number of related violations, which are:
  - Inability of Enaya to adopt risk assessment and measurement procedures.
  - Enaya's failure to update the risk tolerance statement and risk management framework.
  - The lack of comprehensiveness of the corporate governance regulation of Enaya on the structure of the senior management.
  - Non-compliance of the actuary to submit the pricing report of the year 2018G to the Board of Directors of Enaya.
  - The absence of a succession policy and procedures for senior management approved by the Nominations and Remunerations Committee.
  - Failure of the Risk Committee management to submit a detailed report to the Board of Directors of Enaya regarding being liable to risks and the proposed steps to manage these risks.
  - Failure to document the rationale for charging different rates than recommended by the actuary.
  - Failure to submit correct data in the annual and quarterly financial reports submitted to the Central Bank for the years 2015G to 2018G.

It is noteworthy that Enaya has paid such fines related to the violations against Enaya.

- On 1/2019G, Enaya received a memorandum from the Health Insurance Council stating that Enaya had violated a number of executive articles of the Health Insurance Council with regard to operational matters related to the issuance of health insurance policies, payment terms, and periodic reports of the Health Insurance Council related to operations during 2017G. The value of the fine amounted to SAR 770,000. According to the testimony of Enaya, the value of such fine has not been claimed by the Health Insurance Council and such case was not decided upon until the date of the circular.
- On 10/2019G, the "Authority" imposed a fine of SAR 20,000 on Enaya for failing to immediately disclose the award of the contract of Dr. Soliman Fakeeh Hospital. Enaya paid this fine.
- On 11/2020G, the Ministry of Human Resources and Social Development fined Enaya Company with a fine of SAR 20 thousand due to the fact that Enaya laid off a number of its employees during the period of the Corona pandemic. Enaya paid this fine.
- In April 2021G, the General Directorate of Civil Defense fined Enaya with a fine of SAR 6,000 due to a number of violations related to protection and safety requirements. Enaya paid this fine.

In addition to aforementioned, the due diligence financial examination showed that Enaya did not comply with the provisions of Paragraph 2 of Article (61) of the Executive Regulations of the Cooperative Insurance Companies Control Law, with regard to the risks of concentration of investments, as its investments with one of the licensed investment financial institutions amounted to 67.4 % of Enaya's total investments, which exceeds the percentage specified by the regulation, that such investments shall not exceed 50% (for more information, please refer to the risk factor No. (2.2.18) "Risks Related to Concentration of Enaya's Investments").

The continuation of these violations after the completion of the Merger transaction and the inability of the Merging company to develop the necessary measures and procedures to reduce such violations will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.17 Risks related to relevant party transactions

The due diligence financial examination revealed that Enaya granted a credit period to relevant parties in relation to insurance policies issued to them. Noteworthy that two of the three largest Enaya clients represent Enaya relevant parties. Which reflects Enaya's failure to comply with the provisions of Article (49) of the Executive Regulations of the Cooperative Insurance Companies Control Law, which stipulates that no insurance policy shall be issued or renewed to any of the relevant parties until paying the full premium. In accordance with the provisions of Article Twenty-first (21) of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Central Bank may impose a fine of up to one million (SAR 1,000,000) Saudi riyals for non-compliance with the provisions of Article (49) of the Executive Regulations of the Cooperative Insurance Companies Control Law.

Noteworthy that the Enaya approves the business between Enaya and relevant parties through the General Assembly of Enaya, in accordance with the provisions of Article 71 of the Companies Law.

The continuation of these violations after the completion of the Merger transaction and the inability of the Merging company to develop the necessary measures and procedures will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.18 Risks related to the concentration of Enaya's investments

The due diligence financial examination showed that Enaya has a high concentration in its investments as at the end of 2020G, as Enaya holds 28.7% of its investments in fixed income securities (bonds) issued by the government of the Kingdom of Saudi Arabia. Enaya's investments in one of the Licensed investment financial institutions account for 67.4% of its total investments, while Enaya maintains 3.8% in local investment funds.

The due diligence financial examination also showed that Enaya failed to comply with the provisions of Article (61) (2) of the Executive Regulations for the Supervising of the Cooperative Insurance Companies, which states that the concentration of investments shall not exceed (50%) of the company's investment base, in relation to its investments. One of the licensed investment financial institutions has a value of SAR 141.6 million, which represents 67.4% of the total investments of Enaya as of December 2020G. According to the statement of Enaya, as at the date of this circular, Saudi Central Bank did not violate Enaya as a result of that. In accordance with the provisions of Article Twenty-first (21) of the Cooperative Insurance Companies Control Law issued by the Central Bank, the Central Bank may impose a fine of up to one million (1,000,000) Saudi riyals for non-compliance with the provisions of Article (61) of the Executive Regulations of the Cooperative Insurance Companies Control Law.

It is worth mentioning that Enaya liquidated its investments in fixed income securities (bonds) during the year 2021G, as a result of which Enaya achieved financial gains of SAR 5.4 million, then Enaya reinvested the proceeds from the sale of such bonds in Murabaha deposits (three months maturity).

In the event that the Merging company is unable to redistribute the investments of Enaya after the Merger in order to reduce the risks of concentration of investments, it will result in greater investment risks on the Merging company after the Merger, in addition to the possibility that the Merging company being fined by additional fines as a result of non-compliance with the investment ratios stipulated in the Executive Regulations of the Cooperative Insurance Companies Control Law, which will negatively affect the Merging company's business, financial position, results, share profitability and future expectations.

2.2.19 Risks related to Enaya's financial reporting

The due diligence financial examination revealed that Enaya does not maintain financial records on a regular basis with respect to payables to medical service providers and insurance brokers and agents.

The inability of the Merging company to develop the necessary measures and procedures to improve the quality of internal financial reporting will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.20 Risks related to the case related to the owner of the main administration building of Enaya

The due diligence financial examination showed that Enaya involved in a case against the landlord of the headquarters of Enaya, and according to the statement of the management of Enaya, it involved in a case due to poor services related to the electrical supply of the building, which forced Enaya to rent additional generators. In light of such, Enaya delayed the payment of the rental dues to the landlord, amounting to SAR 2.3 million annually for the years 2018G and 2019G. As a result, the landlord filed a case against Enaya, demanding Enaya to pay 5.4 million Saudi riyals in addition to SAR 2.9 million, which represents compensation for material damages due to the late payment of rental dues. Enaya paid the due rent for the years 2018G, 2019G and 2020G. The rent for the year 2021G was paid in advance as well as the settlement in the same year.

On December 31, 2020G, an amount of SAR 2.2 million was recorded as rental claims in accordance with Standard No. 16 of the Financial Reporting Standards (IFRS), and additional unpaid accrued rental claims of SAR 2.4 million related to the year 2020G, it is worth noting that, according to the financial report Due to ignorance, the additional rental amounts were settled, as a final settlement of 1.1 million Saudi riyals was reached during the year 2021G, and the settlement amount was paid.

Arising of any future disputes related to this case will negatively affect the Merging company's business, financial position, results, share profitability and future expectations after the completion of the Merger transaction, and will negatively affect achieving the desired benefits from the Merger transaction.

2.2.21 Risks associated to the appointments of members of the Board of Directors and its committees

The due diligence legal examination report showed that during the past three years, the Board of Directors of Enaya and its committees had witnessed a number of appointments and resignations among the members of the Board of Directors and members of the committees. Enaya did not provide the legal advisor of Amana with documents related to the approvals of Saudi Central Bank for these appointments and resignations on Enaya Board of Directors and its committees.

In addition, Enaya recently created a Cyber Security Committee, in which no approvals by Saudi Central Bank were received. The due diligence legal examination report indicated that Enaya did not provide all the decisions and approvals issued by the Board of Directors (including the approval of Enaya's annual financial statements), in addition to the minutes of meetings of the Board of Directors.

It is worth noting that in the event that the committees of the Board of Directors or members of the Board of Directors are not formed in accordance with the articles of association of the Merging company, the Companies Law, and the instructions issued by the Saudi Central Bank, this would result in the invalidity of these committees, which may cause legal violations. Consequently, it will negatively affect the Merging company's business, financial position and operation results.

2.2.22 Risks related to Enaya's violations of the articles of the Executive Regulations of the Cooperative Insurance Companies Control Law

The due diligence financial examination revealed that Enaya failed to comply with the provisions of the second paragraph of Article (65) of the Executive Regulations of the Cooperative Insurance Companies Control Law with regard to the maximum amount of (20%) of the value of each asset to the total value of the assets, as Enaya failed to comply with this limit in some of its assets as follows:

- Investments (during the years 2019G and 2020G, where the percentages of investments amounted to 21.1% and 21.6%, respectively of the total assets)
- Other assets (during the years 2018G, 2019G and 2020G)

- Cash and cash equivalents (during the years 2018G, 2019G and 2020G, where the percentages of cash and cash equivalents amounted to 24.6%, 22.4% and 36.5%, respectively of total assets)

In addition to the aforementioned, it was stated in the due diligence financial examination report, that Enaya had mistakenly added other assets to the accepted assets in calculating the solvency margin, which led to an increase in the solvency margin of Enaya to reach (128%) for the year 2019G, compared to (124.9%) using the audited financial statements ended on December 31, 2019G.

As also mentioned in the due diligence financial examination report, there are a number of errors in the forms and reports sent to the Central Bank by Enaya. For example, the number of issued insurance policies and the number of insurance claims.

It is worth noting that the Internal Audit Department and the Conformity and Compliance Department at Enaya have indicated such violations and errors in their periodic reports, especially with regard to claims reports, delays in processing insurance claims, relevant party claims management and employee training plans, in addition to a number of weaknesses that require development, including anti-money laundering, combating the financing of terrorism, information technology, IPO management and customer care.

The inability of the Merging company to develop the necessary measures and procedures after completing the Merger transaction, to avoid repeating such violations will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.23 Risks related to the main vacancies at Enaya

The due diligence financial examination revealed that the positions of Director of Human Resources Department, Director of Information Technology Department and Director of Cyber Security Department are managed by assigned employees and they are waiting for the approval of the Central Bank for their appointment.

Enaya also has a number of vacant positions, including the position of conformity and compliance manager, technology manager, information security officer, deputy underwriting manager, secret shoppers officer, and junior actuary.

In addition, the position of Financial Director of Enaya Company is vacant, as the position is currently occupied by the Acting Director, in addition to the position of the internal auditor and conformity and compliance analyst still vacant. Noteworthy that the recruitment process is currently suspended at Enaya, due to the Merger procedures.

The inability of the Merging company to develop the necessary measures and procedures after completing the Merger transaction, to fill the gaps that Enaya has with regard to the main vacancies, will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.24 Risks related to value added tax

The due diligence financial examination revealed that Enaya owes an amount of SAR 55 thousand as tax differences. According to the due diligence financial examination report, the method of calculating such amounts is not clear, which will result in violations and penalties against Enaya, which may negatively and fundamentally affect the Merging company's business, financial position and results of operations.

Through the examination sample, it was found that Enaya is not obligated to prepare and issue tax invoices according to the requirements of the Zakat, Tax and Customs Authority.

In addition to the aforementioned, the due diligence financial examination showed that Enaya had invested with one of the licensed financial institutions a Murabaha deposit and sukuk, and that Enaya included the realized yields as profits excluded from any value added taxes without adding the joint inputs for the purposes of inclusion of profits as an excluded income. Enaya considered that the associated expenses are linked and deducted from the realized yields.

The inability of the Merging company to develop the necessary measures and procedures for the policy of preparing and accepting tax invoices in line with the requirements of the Zakat, Tax and Customs Authority, and in the event that Enaya is claimed for any additional tax amounts in the future will negatively affect the Merging company's business, financial position and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.25 Risks related to zakat and taxes

According to the due diligence financial examination report, and the audited financial statements of Enaya for the period ending on June 30, 2021G, the Zakat, Tax and Customs Authority has issued its final zakat assessment for the period (2011G to 2014G), requesting Enaya to pay an additional zakat obligation of SAR 12.5 million. During the year 2017G, Enaya filed an objection before the Appeal Committee for Tax Violations and Disputes against the decision of the Committee for the Settlement of Tax Disagreements and Disputes for the period (2011G to 2014G). In 2020G, the Appeal Committee for Tax Violations and Disputes issued its approval on some points, and accordingly, the zakat obligation was reduced to SAR 2.1 million. Enaya also submitted its zakat returns until December 31, 2020G, and obtained its final zakat assessment until 2014G.

During 2020G, the Zakat, Tax and Customs Authority issued zakat returns for the period (2015G to 2018G) and demanded Enaya to pay an amount of SAR 9.49 million. Enaya submitted an objection to the Committee for the Settlement of Tax Disagreements and Disputes against the assessment of the Zakat, Tax and Customs Authority. The returns still being reviewed by The Committee for the Settlement of Tax Disagreements and Disputes (until the date hereof).

It is worth noting that the zakat and tax returns for 2019G and 2020G are currently being reviewed by the Zakat, Tax and Customs Authority (for more information, please see subsection (5.5.1.11) "**Zakat**" of Section (5) "**Financial Information and Management Discussion and Analysis**" hereof).

Failure to settle the amounts of zakat and tax prior to the completion of the Merger transaction, will negatively affect the Merging company's business, financial position, results, share profitability and future expectations, and achieving the desired benefits from the Merger transaction.

2.2.26 Risks related to credit facility agreements

The due diligence financial examination report showed that Enaya entered into credit facility agreement (letter of guarantee) with the Saudi British Bank (SABB) on 02/02/1441H (corresponding to 10/1/2019G). By virtue of this agreement, SABB granted a credit facility and a guarantee in favor of the dues of the Zakat, Tax and Customs Authority amounted to SAR 12.5 million for the period (2011G-2014G), which issued against a Murabaha deposit for Enaya amounting to SAR 14.0 million, this agreement shall expire on 26/07/1443H (28/02/2022G). Noteworthy that such Agreement contains a "Change of Control" clause that authorizes SABB to amend or cancel the terms of the facilities and demand payment of the fees due. It also stipulates that Enaya is responsible for notifying SABB of any potential or actual changes to its legal structure and articles of association. Enaya notified SABB regarding entering into a potential Merger agreement with Amana. SABB did not object to the Merger transaction, provided that Enaya will notify SABB upon completion of the Merger transaction. In the event that Enaya failed to comply with the terms of the facilities agreement or if SABB decides to exercise its right to amend or cancel the terms of the facilities, this matter will negatively affect the financial position of the Merging company after the completion of the Merger transaction, which will have a material impact on its financial position and operations.

2.2.27 Risks related to Enaya employee contracts

The due diligence legal examination showed that Enaya does not adhere to the standard employment contract forms, and that the employment contracts do not comply with the applicable regulations and forms issued by the Ministry of Human Resources and Social Development, as the work contracts did not include, for example: clauses related to maternity and paternity leave, and Hajj pilgrimage leave, in addition to the specific clauses for female employees, clauses related to the necessity of medical examinations prior to joining Enaya, and clauses related to the due diligence of the employer's machinery and tools placed at the employee's disposal or in his custody and the return of unused materials to employers. As well as the items related to registration in the General Organization for Social Insurance, in addition to the absence of a dispute settlement clause, and the absence of a clause clarifying that the work contract shall be of two identical copies, one for the employer, and another for the employee.

The inability of the Merging company to avoid such differences in the contracts of Enaya employees from the standard employment contract forms issued by the Ministry of Human Resources and Social Development, will contribute to exacerbating labor disputes, which will negatively affect the Merging company's business, financial position, results of operations, share profitability and future expectations following the Merger.

2.2.28 Risks associated with end of service gratuity for Enaya employees

The due diligence legal examination showed that Enaya calculates the end-of-service gratuity without including the bonuses and incentives paid to employees in the mechanism of calculating the end-of-service gratuity. Article 86 of the Labor Law stipulated that the calculation of the end-of-service gratuity shall include all bonuses and incentives unless the employer and employee agree to exclude the bonuses from the end of service gratuity, provided that such shall be mentioned in the employment contract.

Changing the method used in calculating the end-of-service gratuity for Enaya employees following the completion of the Merger transaction and transfering to the Merging company by including bonuses and incentives in calculating the end-of-service gratuity will result in additional amounts paid as an end-of-service gratuity for the transferring employees upon their resignation from the Merging company, which will negatively affect the Merging company's business, financial position, results of operations and future expectations following the Merger.

2.2.29 Risks associated with the non-compliance of the activities of the articles of association with the National Guide for Economic Activities

The due diligence legal examination conducted on Enaya showed that the activities mentioned in the articles of association of Enaya do not comply with the National Guide for Economic Activities issued by the Ministry of Trade and Industry.

The inability of the Merging company to develop the necessary measures to address such violations after the completion of the Merger transaction, will negatively affect the Merging company's business, financial position, results, share profitability and future expectations.

2.2.30 Risks Related to Cyber Security

The due diligence financial examination showed that Enaya completed the third level of the project of implementing the requirements of cyber security according to the evaluation framework of the Saudi Central Bank. As Enaya reached 84% of implementing the requirements, and due to Enaya entering into a potential Merger transaction, it suspended work on the cyber security requirements project.

The risk that associates the incompletion of the project of implementing the requirements of cyber security will lead to an increase in phishing, malware, and other cyber security attacks, and vulnerability to disruptions to Enaya's IT infrastructure and telecom systems for remote operations, which will negatively affect Enaya and thus negatively affect the Merging company after the Merger.

2.2.31 Risks associated with non-compliance with the wage protection system

The wages protection system is one of the programs of the Ministry of Human Resources and Social Development aimed to provide an appropriate and safe work environment in the private sector, in terms of raising the level of transparency and preserving the rights of the contracting parties. Where the system monitors the wage disbursement processes for all male and female workers in the private sector, and measures the extent of the establishments' commitment to pay wages on time at the value agreed upon between the contracting parties, aiming to reduce wage disputes between establishments and workers in the private sector.

According to the due diligence legal examination, no certificate was seen to prove the commitment of Enaya to the requirements of the wage protection system, and therefore, in the event that Enaya failed to comply with the adoption of its wage protection system, it will be subject to the suspension of its services related to the Ministry of Human Resources and Social Development, which will results in the disruption of carrying out services for its employees that require the approval of the Ministry of Human Resources and Social Development.

The inability of the Merging company to develop the necessary measures to address such violations after the completion of the Merger transaction, will negatively affect the Merging company's business, financial position, results, share profitability and future prospects.

2.2.32 Risks related to records of claims incurred and losses from insurance claims

The due diligence financial examination revealed the lack of clarity of Enaya's records regarding incurred losses and losses from insurance claims, as the examination showed that it could not be determined whether these claims had been paid or still exist as a liability on Enaya.

Failure to accurately estimate the existing obligations of these insurance claims will lead to the Merging company incurring losses and thus affecting negatively and fundamentally affect the Merging company's financial position, liquidity, results of operations and future expectations.

2.2.33 Risks related to reinsurance operations with Enaya company

The due diligence financial examination showed that Enaya does not currently carry out reinsurance operations for the issued insurance policies. Due to the fact that Enaya, starting 2019G, followed the self-reinsurance model, where Enaya issues the insurance and reinsurance policy without entering into reinsurance arrangements with reinsurers As a result, the share of reinsurers in paid claims decreased from SAR 28 million in 2018G to SAR 6.9 million in 2019G, and to SAR 1 million in 2020G.

The inability of the Merging company to assess the associated risks as a result of the lack of reinsurance agreements for the insurance policies issued by Enaya will lead to the Merging company incurring losses and thus negatively and fundamentally affect the Merging company's financial position, liquidity, results of operations and future expectations.

2.3 Equity related risks

2.3.1 Risks associated with the change in the ownership of existing shareholders and the decrease in the voting power thereof

The Merger transaction takes place through a securities exchange offer, whereby Amana will issue the new shares in favor of the shareholders of Enaya in exchange for transferring all the assets and obligations of Enaya to Amana, following the completion of the Merger transaction. The ownership percentage of the shareholders of Enaya will be (55%) in Amana. Simultaneously, the ownership percentage of the current shareholders in Amanah will decrease to (45%), while their ownership represented (100%) prior to the Merger transaction. Therefore, their ability to influence decisions that require the approval of the Merging company's shareholders will be reduced, including the selection of board members of the Merging company and other important strategic decisions of the Merging company. In addition, their share of the Merging company's net profits will be decreased upon distribution.

2.3.2 Risks associated with fluctuation of the share price until the completion of the Merger transaction

The announcement of the Merger transaction and investors' knowledge thereof, the way the two companies and their businesses are managed, the delay in completing the Merger transaction for any reason (such as delay due to the length of the creditors' objection period), political or economic changes or other reasons that affect the share price may lead to increasing fluctuation of the share price of Amana and Enaya until the Merger transaction is completed. It is possible that the price of the Amana's share, at the time of the Merger decision inters into force, significantly be different from the price thereof at the date of publishing this circular, which will affect the market value of the Amana, and the investors' investments in the shares thereof.

2.3.3 Risks associated with the decrease in the share price as a result of the Merger transaction

The share price of the Merging company, including the new shares issued to the shareholders of Enaya, may decrease in the event of delay or incomplete Merging of the business of Amana and Enaya during the initial agreed period of six months from the date of signing the Merger agreement on 04/29/2021G, unless the two companies agree to extend such period by virtue of the announced Merger agreement, if the Merging company failed to achieve the desired benefits from the Merger transaction within the period or to the extent expected from investors, financial analysts, or the Merging company's board of directors, which may negatively affect the Merging company's assets, obligations, results of operations and future expectations.

2.3.4 Risks associated with fluctuation of the share price of the Merging company following the completion of the Merger transaction

The share price of the Merging company may be subject to volatility due to a number of factors related to the Merging company or otherwise, which include general market fluctuations as a result of economic conditions and other macro factors not related to the performance of the Merging company, and the change in results, financial expectations, operational reports and news related to changes. These factors may adversely affect the trading price of the Merging company's shares regardless the company's actual performance. Shareholders shall be aware that the price of the Merging company's shares (including the new shares) and the profits obtained thereof may increase or decrease, as is any other investments in securities listed in the market.

2.3.5 Risks associated with trading based on the past performance of Amana shares, and the risks of major shareholders selling their shares in the Merging company

Shareholders of the Merging company shall note that the previous performance of the Amana's share is independent and different from the performance of the Merging company's share (and may not be similar in any way). It shall also be noted that the large shareholders selling, or the possibility of them selling, a large number of shares owned in the Merging company may negatively affect the share price of the Merging company.

2.3.6 Risks associated with earnings per share as a result of the Merger transaction

The future earnings per share depend on a number of factors, including the profitability of the Amana, the maintenance of its good financial position, the capital needs, the distributable reserves, the credit strength available to the company and the general economic conditions. It is worth noting that the hypothetical financial statements have shown that the increase in the capital of Amana for the purpose of Merging Enaya into Amana and transferring the assets and obligations of the Enaya to Amana, lead to a high loss per share once the Merger took place. The loss per share of Amana amounted to SAR 2.58 in 2020G, and the loss per share of the Merging company following the completion of the Merger transaction amounted to SAR 3.13 as shown in the hypothetical consolidated financial statements for 2020G. In addition, the Merger transaction may lead to a decrease in the earnings per share in the future, on the grounds that the profits of Amana will be distributed to a larger number of shares as a result of an increase in its capital and an increase in the number of its shares.

2.4 Risks related to the market, the sector and the regulatory environment in general

2.4.1 Risks related to the economic performance of the Kingdom

The expected future performance of the Merging company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to: factors of inflation, GDP growth, average per capita income and etc. The Kingdom's economy mainly depends on oil and oil industries, which still in control of a large share of the gross domestic product. Despite the growth in other sectors, and the economic diversification to be achieved within the framework of the Kingdom's vision 2030G, any unexpected fluctuations in oil prices will have a direct and fundamental impact on the growth plans of the Saudi economy in general, and on Government spending rates, which will negatively affect the insurance sector in general, which would negatively affect the performance of the Merging company in the post-Merger stage due to its work within the Saudi economic system and being affected by the government spending rates. In addition, the continuation of the growth of the Saudi economy depends on several other factors, including the continuation of population growth and investments of the public and private sectors in infrastructure, so any change in these factors will have a significant impact on the economy, which in return will negatively affect the Merging company's business, financial performance, results of operations and future expectations.

Moreover, any significant unexpected changes that occur in the economic, political or legal conditions in the Kingdom, neighboring countries or other countries in the region, will negatively and fundamentally affect the Merging company, its financial condition, results of operations, cash flows and future expectations.

2.4.2 Risks associated with political and economic instability in the Middle East and the Persian Gulf region

Amana currently offers general and health insurance products, and Enaya provides insurance products in the health insurance branch. All insurance policies underwritten by Amana and Enaya are in the Kingdom of Saudi Arabia. It is worth noting that following the completion of the Merger transaction and after obtaining the necessary licenses, the Merging company will provide insurance products in the branches of general and health insurance. Many countries in the Middle East and the Arabian Gulf suffer from political and security instability at the present time. Therefore, there are no guarantees that the political and security conditions in the Middle East and the Arabian Gulf will not have a negatively affect on the insurance market in the Kingdom, the business of the Merging company, the results of its operations, share profit and financial position.

2.4.3 Risks associated with increased competition and the ability to expand within the insurance market in the Kingdom

The number of insurance companies authorized to operate in the Kingdom is (30) companies, according to the financial stability report issued in 2020G, where the five largest insurance companies posses 67.5% of the total underwritten n premiums as in December 31, 2020G (according to the financial stability market report for 2020G issued by Saudi Central Bank). It is worth noting that if the market share in the insurance sector is concentrated on a limited number of companies, which results that small companies lose their ability to control the pricing of their products, as they shall take into account the prices applied by large companies when determining the prices of their products. It is worth noting that upon the completion of the Merger transaction, the Merging company will continue to operate in a large competitive market, as competition arises when there are other companies operating in the same business sector and offer similar and competitive products and services to the products and services of the Merging company in all branches of general insurance and health). Therefore, there are no guarantees that the Merging company will be able to compete in the market with high efficiency following the completion of the Merger transaction. Any change in the competitive environment leads to an increase in the number of companies operating in the sector, the development of new insurance products, an increase in price competitiveness in the sector or other factors, a decrease in the market share of the Merging company and/or prices of insurance products and/or a decrease in profit margins. In the event that one or all of these risks are realized, such will negatively and fundamentally affect the Merging company's business, financial position, results of operations and profitability of shares.

2.4.4 Risks and importance of the insurance culture in the Kingdom

The society's view of the insurance sector is a key factor for the success of this sector. Thus, there is a risk around this view in general, as the community thinks that the sector does not play a major role or operates with a range of services do not comply with the principle of takaful and Sharia. Society may lose confidence in this sector, and this will negatively affect the Merging company's business, financial position and operational results.

2.4.5 Risks associated with the insurance business cycle

The insurance sector at the global level has witnessed periodic changes with significant fluctuations in the results of operations, due to competition, turbulent events, economic and social conditions experienced by all countries from time to time in general, and other factors beyond the control of companies operating in the insurance sector. Thus, this may result in periods of competitions in prices resulting from excess supply, as well as periods in which companies are allowed to obtain better premiums. It is expected that the business cycle of insurance companies will be affected from time to time, which will negatively affect the Merging company's business, the results of operations, financial position and future expectations, especially upon completing the Merger transaction.

2.4.6 Risks associated with investing

Amana complies with the provisions contained in the Executive Regulations of the Cooperative Insurance Companies Control Law, the Investment Regulations issued by Saudi Central Bank and the investment policy of Amana. The market value of the total investment portfolio available for sale in Amana is SAR 19.3 million, while the investments held until maturity an amounted to SAR 48.6 million, in December 31, 2019G. The investments available for sale amounted to SAR 12.9 million, while the investments held to maturity amounted to SAR 49.0 million in December 31, 2020G. The investments available for sale amounted to SAR 15.0 million, and investments held to maturity amounted to SAR 49.2 million in June 30, 2021G. The private investment portfolio in Amana Securities Company includes the following: shares, sukuk, Murabaha and investments in shares of unlisted companies. Enaya also complies with the provisions contained in the Executive Regulations of the Cooperative Insurance Companies Control Law and the Investment Regulations issued by Saudi Central Bank. The value of the investment portfolio of Enaya amounted to SAR 73.0 million in December 31, 2019G, while the investment portfolio amounted to SAR 68.4 million in December 31, 2020G, the investment portfolio amounted to SAR 8.2 million in June 30, 2021G. The investment portfolio of the Saudi Company, Enaya includes the following securities: shares, sukuk, stock funds and investments in shares of unlisted companies. For more details about the risks related to Enaya's investments, please review the risk factor No. (2.2.18) "Risks related to the concentration of Enaya's investments" hereof.

Amana's operational results depend partially on the performance of its investment portfolio. Investment results are subject to several investment risks, including those related to general and political economic conditions, the level of market volatility, fluctuations in market interest rates and liquidity and credit risks, therefore, the inability of the Merging company to balance its investment portfolio and suit it with its liabilities, will affect its investment returns and the results of its operations. It is worth noting that the investment portfolio of Enaya will be transferred to the Merging company upon completion of the Merger transaction. The Merging company will review the investment portfolio that transferred thereto, to ensure its compliance with its investment regulations to ensure its consistency with the Merging company's investment strategy. It is worth noting that in the event that Enaya's portfolio failed to comply with the investment regulations of the Merging company, a restructuring of the portfolio will be carried out based on the performance of the investment portfolio of the Merging company transferred from Enaya. Restructuring the portfolio may result in the sale of securities at inappropriate prices, which negatively affects the performance of the Merging company's investment portfolio. It is worth noting that the operational results of the Merging company depend on the performance of the investment portfolio and also subject all times to several risks such as the connection with the general economic conditions, the level of volatility in the market, the fluctuations of market prices, liquidity and credit risks, in addition to the political and security conditions. In addition, the inability of the Merging company to balance its investment portfolio and match it with its liabilities will force it to liquidate its investments at certain times and at prices that may not be appropriate at the time, which will negatively affect the performance of the investment portfolio. Moreover, the Merging company shall comply at all times with the requirements of the Investment Regulations and the Cooperative Insurance Companies Control Law and its Executive Regulations. In the event that the Merging company failed to comply with these requirements, it will be subject to financial fines, penalties and/or imposition of restructuring the portfolio, which will negatively and fundamentally affect the performance of the portfolio and the Merging company's business.

In the event that any or all of these risks are realized, such will negatively and fundamentally affect the Merging company's business, financial condition, results of operations and share profitability.

2.4.7 Risks associated with imposing new taxes (VAT)

The Council of Ministers in the Kingdom decided in Jumada Al-Awwal 2, 1438H, to approve the unified agreement for value-added tax for the countries of the Gulf Cooperation Council, which came into force in January 1, 2018G, as a new tax to be added to the system of taxes and other fees that shall be implemented by most sectors in the Kingdom. With the exception of services related to health care, education and some basic food products, the Kingdom's government decided to increase the value-added tax rate from 5% to 15%, starting from July 2020G. Therefore, the relevant establishments shall know the nature, the method of application and the method of calculation of the value-added tax. It will also have to submit its own reports to the relevant government agencies. Accordingly, the Merging company shall adapt to the changes resulting from the application of value-added tax, which includes its collection and submitting, and the impact of the application of the value-added tax system on the Merging company's business. Any violation or wrong application of the tax system by the Merging company's management, will resulting fines, penalties or damage the reputation thereof, which will also increase costs and operating expenses, which could negatively affect the competitive position of the company and the level of demand of its products, which will negatively affect the Merging company, its financial position, results of operations and future expectations.

2.4.8 Risks associated with not complying with CCHI regulations

Health insurance products provided by Enaya are subject to control by the Council of Cooperative Health Insurance. The requirements of the Council of Cooperative Health Insurance oblige compiling with a specific requirements for providing medical products, including the availability of a specialized medical team to issue approvals within a period not exceeding (60) minutes from submitting the approval request. These requirements also oblige insurance companies to pay the amounts due to medical service providers such as hospitals, clinics and others within a period not exceeding 30 days. It shall be noted that in the month of 1/2019G, Enaya received a memorandum from the CCHI stating that Enaya had violated a number of executive articles of t CCHI with regard to operational matters related to the issuance of health insurance policies, payment terms, and periodic reports to CCHI (For more details, please refer to Section (6.8) ("**Lawsuits and Claims against Enaya Company**") hereof.

The Merging company's failure to comply with the requirements of CCHI in the future and its continued violation of CCHI executive articles will lead to the imposition of penalties on, including the withdrawal of the license to provide medical services products, which will negatively and fundamentally affect the Merging company's business, financial position, results of operations, share profitability and future expectations.

2.4.9 Risks associated with restrictions on share ownership in insurance companies

The Cooperative Insurance Companies Control Law sets certain restrictions regarding the ownership of shares in insurance companies, in accordance with Article (9) of the Cooperative Insurance Companies Control Law and Article (39) of the Executive Regulations, insurance and reinsurance companies may not merge with, own, control or buy shares of other insurance and reinsurance companies without obtaining the prior written approval of Saudi Central Bank. In accordance with Article 38 of the aforementioned Executive Regulations, the following shall be done:

- The company shall inform Saudi Central Bank of the ownership percentage of any person owns (5%) or more of the company's shares through a quarterly report prepared by the company.

- Each person owns (5%) or more of the company's shares shall inform the Central Bank in writing of his ownership percentage and any change therein within five working days from the date of such change.

Thus, in some cases, these restrictions may lead to a limitation of the Merging company's ability to attract strategic investors in the event of the central bank's refusal or delay in issuing the required approvals or imposing conditions that the Merging company or investors are unable to meet, which will negatively affect the Merging company's business. results of operations and future expectations.

2.4.10 Risk related to customer credit

Pursuant to Article VI of the Unified Compulsory Vehicle Insurance Policy issued by Saudi Central Bank, insurance companies shall compensate a party or parties (other than the insured) against the consequences of accidents covered under the third-party insurance policy, and insurance companies shall be entitled to refer to the insured, driver or the person responsible for the accident to claim the amounts paid to the third party. Therefore, when referring to the insured, the driver, or the person responsible for the accident, to recover the sums of money that have been paid, this entails a high risk that some people will procrastinate or not pay the amounts due, which will negatively affect the Merging company's business, results of operations and future expectations.

2.4.11 Risks associated with unexpected disasters and crises

The occurrence of unexpected disasters and crises, whether natural or unnatural, may directly affect the performance of the Merging company that provides insurance products for health, vehicles, property and others. The Merging company will be liable to the high number of claims arising from the occurrence of disasters and unexpected crises such as viruses, rampant epidemics, storms, hurricanes, earthquakes, fires, acts of terrorism and others. The Merging company provides such insurance products (which represent about 3% of the total insurance premiums underwritten in the Merging company for the year 2020G), including property and fire insurance products, engineering insurance, public liability insurance, land insurance, marine insurance, insurance against breach of trust and money transfer insurance.

Claims related to such products when unexpected disasters and crises occur will fundamentally affect the Merging company's business, financial position and results of operations.

2.4.12 Risks related to the effects of the precautionary measures taken to address and limit the spread of Corona Virus (Covid-19)

In view of the current circumstances, the rapid spread of the new Corona virus "Covid-19" in the world, and the decisions issued by the competent authorities in the Kingdom regarding precautionary and preventive measures to address and limit the spread of Corona Virus (Covid-19) pandemic to date hereof, such precautionary and preventive measures will negatively affect many businesses and economic sectors in the Kingdom, including the insurance sector. As the insurance sectors may witness a decrease in sales or demands of some of their insurance services and products during this period. In addition, sectors that are subject to the supervision and control of Saudi Central Bank and some other sectors have been excluded from the possibility of benefiting from the support provided by the competent authorities to private sector employees. Consequently, in light of the current circumstances, the accompanying developments, the impact of the sales of the Merging company's insurance policies, and the lack of clarity for the duration of these precautionary and preventive measures and what will happen in the future.

Noteworthy that the first infection with the new Corona virus recorded in December 2019G, after which it spread throughout the world as a global epidemic. Covid-19 epidemic caused negative repercussions on the regional and global economies and financial markets, which negatively affected countries, including the Kingdom of Saudi Arabia. Governments and private sectors have taken unprecedented measures to contain the spread of Covid-19 and mitigate its effects, including imposing quarantines, travel bans, imposing stay-at-home orders, closing businesses and schools, halting fiscal stimulus and other regulatory changes. Many governments and organizations have also lowered GDP growth forecasts for 2020G and the following years to counter the economic slowdown caused by the spread of Covid-19 epidemic. The outbreak of Covid-19 epidemic is likely to lead to a recession or a long-term global economic crisis. Although the scope, duration and effects of Covid-19 are changing rapidly and not fully known, the pandemic and related efforts to contain it have disrupted global economic activity and negatively affected the performance of financial markets. In the event that these effects persist for a long period or result in sustainable economic pressures or stagnation, many of the risk factors identified herein may be exacerbated, which will negatively and fundamentally affect the Merging company, and if any of the negative effects occurring, such will negatively affect the Merging company's business, financial position, results of operations and future expectations, especially upon the completion of the Merger transaction.

The current or future restrictions of Covid-19 epidemic may limit the ability of Amana and Enaya employees to access their facilities, which may limit their ability to meet customer expectations, which may negatively affect the operations of Amana or Enaya, which in turn will negatively affect the business of the Merging company . In addition, the two companies, in response to Covid-19 epidemic, have modified the business practices of all employees occupying non-essential jobs temporarily, so that they work remotely or in rotation with the aim of continuing the operations of the two companies without interruption.

Since there are no comparable recent global epidemics that have resulted in a similar global impact, there remains great ambiguity regarding the severity of the negative impact in the short and long term of Covid-19 epidemic on the global economy, global financial markets, the economy of Saudi Arabia and the economy of other countries in which the Merging company operates. As a result, the Merging company may not be able to predict the extent of the impact that the new Covid-19 epidemic will cause on the Merging company's business, financial position and results of operations, in the short or long term. The current Covid-19 epidemic is likely to cause an economic recession or a long-term global economic crisis, which may negatively affect the Kingdom's economy in general and the insurance sector in particular. The extent of the impact of the outbreak of the new Covid-19 epidemic on the Merging company's business, results of operations and financial position depends on future conditions, including the timing and effectiveness of the measures taken, or not taken, to contain Covid-19 and mitigate its effects in the Kingdom and at the international level. The uncertain future development of this crisis will negatively and fundamentally affect the Merging company's business, operations, operational results, financial position, liquidity or capital levels.

2.4.13 Risks associated with preventive regulations

Both Amana and Enaya are subject to a number of preventive and regulatory requirements imposed by the Central Bank and the Capital Market Authority (including limits of monetary exposure, reserves, financial provisions, provisions for impairment, and others) that aim to maintain the integrity and stability of the financial position of each company and its compatibility with economic and societal objectives and others, and to limit both companies being liable to risks.

Any change in these rules, regulations and requirements or how they are implemented may negatively and fundamentally affect the Merging company's business, financial position, results of operations or future expectations. Any change in the regulations or policies of the Central Bank will affect the limits of the Merging company's monetary exposure, reserves, provisions for impairment and related financial provisions and other relevant ratios.

2.4.14 Risks associated with complying with regulatory requirements

The Merging company will be subject to many statutory requirements imposed by the Central Bank, the Capital Market Authority, the Ministry of Commerce and other entities that may change from time to time. Both companies implement a number of regulatory procedures and requirements imposed by the competent regulatory authorities, as both companies, in the course of their normal business, are subject to violations imposed by these authorities due to non-compliance or poor compliance with these regulatory procedures and requirements, which may result in penalties or fines.

The Merging company will also be subject to the supervision of the Central Bank, which is responsible for regulating the insurance sector in the Kingdom. The Merging company will operate in accordance with the rules, regulations and requirements of the Central Bank issued under the relevant laws. The Central Bank, upon setting these regulatory requirements, takes into account the relevant international standards. The work of the Merging company may be directly affected by any change in the statutory requirements imposed on, especially if the imposed requirements restrict the Merging company from carrying out certain business or activities, or if the imposed conditions difficult for the Merging company to meet. Therefore, the Merging company cannot confirm that future changes in regulatory requirements will not negatively affect the Merging company's business, financial position or results of operations.

The Merging company (as a listed company) is also subject to the regulatory requirements of the Capital Market Authority applicable to companies listed in the market, including disclosure and governance requirements and other continuing obligations. Therefore, the operations of the Merging company may be affected by any change in those requirements.

In addition, a number of additional requirements were imposed on the listed companies, based on the Companies Law and the regulatory controls and procedures issued in implementation of the Companies Law and the new Corporate Governance Regulations, especially with regard to disclosure and governance. The Merging company may not be able to effectively monitor its compliance with those requirements.

Given that the Merging company will be subject to many regulatory requirements, any violation of these requirements will impose actions and penalties on the Merging company that may be taken against by the concerned authorities, including financial fines and other penalties that may, in certain cases, amount to suspension or withdrawal the Merging company's license or suspending the Merging company from carrying out its business. Therefore, the Merging company's breach of regulatory requirements will negatively affect the Merging company's business, financial position, results of operations and future expectations. Such violations or financial penalties may affect the reputation of the Merging company, including the reputation of its subsidiaries. The Merging company, upon implementing the Merger decision, will also incur any fines or penalties for violations committed in relation to the business of Enaya and Amana prior to the implementation of the Merger decision.

2.4.15 Risks associated with licenses

The Merging company will need to complete the transfer of licenses to practice insurance activity in the health insurance branch of Enaya from Saudi Central Bank, and the Merging company shall maintain the licenses previously issued to, represented in the license to practice general and health insurance activities. The issuance and maintenance of the above-mentioned licenses is an essential factor for the continuity of the Merging company's business and/or its expansion.

Obtaining these permits and approvals may take a long and unpredictable period, and the Merging company may not be able to obtain these approvals and permits, therefore this will affect the Merging company's ability to conduct business and achieve objectives. It is worth noting that the Merging company shall comply at all times with the instructions and Executive Regulations of Saudi Central Bank in order to maintain the licenses issued to. Saudi Central Bank is entitled to withdraw the licenses issued to the Merging company, if: the Merging company does not practice the licensed activity within six months, the Merging company failed to meet the requirements of the law or the executive regulations of Saudi Central Bank, Saudi Central Bank finds that the Merging company has intentionally provided the Bank with incorrect information or data, Saudi Central Bank finds that the rights of the insured, beneficiaries or shareholders are at risk of being lost as a result of the manner in which the activity is carried out, the Merging company goes bankrupt, being unable to fulfill its obligations, the Merging company practices the activity in a deliberate manner of fraud and deception, the Merging company decreases capital below the established minimum, the insurance activity in the insurance branches droped to the level with which Saudi Central Bank deems its performance ineffective, the Merging company refuses to pay the claims due to the beneficiaries without reasonable reason, the Merging company prevents the inspection team assigned by Saudi Central Bank from performing its duties in examining the records, and the Merging company refrains from implementing a final judgment issued in any of the insurance disputes and other cases. The withdrawal or non-issuance of any of the licenses and permits for the Merging company will negatively and fundamentally affect the Merging company's business, financial position, results of operations, share profitability and future expectations.

2.4.16 Risks related to financial violations and claims by regulators

Upon the completion of the Merger transaction, the assets and obligations of Enaya will be transferred to the Merging company, thus, in the event of any violations and/or penalties, the Merging company will bear those violations and/or penalties imposed by Saudi Central Bank. Cooperative Insurance Companies Control Law stipulated such violations and/or penalties, as in accordance with Article (19) Saudi Central Bank, if finds out that any of the insurance or reinsurance companies violated the provisions of the Cooperative Insurance Companies Control Law or Executive regulations or followed a policy that would seriously affect their ability to fulfill its obligations, is entitled to one or more of the following actions: (1) Appointing one or more consultants to advise the insurance company in managing its business, (2) Suspending

any member of the board of directors or any of the insurance company's employees proven responsible for the violation, (3) Preventing the insurance company from accepting new subscribers, investors or participants in any of its insurance activities or limiting that, (4) Obligating the insurance company adopt any other steps it deems necessary. If the Central Bank finds out that the company still violating the provisions of this law or executive regulations and failed to respond to any of the measures taken by the Central Bank in accordance with this article, and despite the imposition of penalties stipulated in this law, Central Bank may request the dissolution of such company. Article (21) of the Cooperative Insurance Companies Control Law also indicates that without prejudice to any severer penalty stipulated in any other law, anyone violates any of the provisions of the Cooperative Insurance Companies Control Law shall be fined with not exceeding one million Saudi riyals and/or imprisonment for a period not exceeding four years. It is worth noting that the Merging company will bear any financial fines, will bear the imposition of penalties arising from any obligations transferred to from Enaya and/or its current obligations, which will negatively and fundamentally affect the Merging company's business, financial position, results of operations and share profitability.

2.4.17 Risks associated with non-compliance with existing laws and/or issuance of new laws

The Merging and Merged companies are subject to a number of laws and regulations, including, for example, the laws of the Ministry of Commerce, the Capital Market Authority, Saudi Central Bank, the Cooperative Health Insurance Council, the Zakat, Tax and Customs Authority, and the Ministry of Human Resources and Social Development. The Merging company shall comply with all laws and regulations upon the completion of the Merger transaction. The Merging company's violation or non-compliance with the terms and conditions of these laws leads to the cancellation or suspension of the licenses issued to or the imposition of penalties or fines on. In addition, these laws and regulations may change in the future or be updated by the supervisory authorities and the competent authorities and - accordingly - the issuance of new laws and regulations from time to time. The Merging company cannot assure that future changes of laws will not negatively affect its business, financial position or the results of operations, nor can the Merging company provide any guarantee that it will be able to adapt to all these changes of laws in a timely manner. In the event that one or all of these risks are realized, such will negatively affect the Merging company's business, financial position, results of operation, share profitability and future expectations.

2.4.18 Risks related to Saudization and labor laws and regulations

The Ministry of Human Resources and Social Development and the Central Bank obligate the Merging company to employ a specified percentage of Saudi citizens, in addition to the Saudization of certain positions. As the minimum for Saudization is 59.31%. As the date hereof, the Saudization rate for Amana reached 71.77%, and Nitaqat is "Platinum". The Merging company may witness competition in hiring and training Saudi nationals, so may find it difficult from time to time to recruit and retain qualified Saudi nationals. Failure to employ a sufficient number of Saudi nationals by the Merging company or a decrease in the Saudization rate due to the transfer of Enaya employees to the Merging company upon the completion of the Merger transaction may result in the Merging company being subject to penalties by the Ministry of Human Resources and Social Development or the Central Bank for non-compliance with these requirements, which will negatively affect the Merging company's business, financial position, results of operations and future expectations.

In the event that the Merging company failed to adhere to the Saudization rates (as the current Saudization rate of Amana Company is (70.54%), achieving the "platinum" Nitaqat in the Nitaqat program approved by the Ministry of Human Resources and Social Development, in contrast, the current Saudization rate of Enaya Financial Company (57.38%)) achieving the "high green" Nitaqat in the Nitaqat program approved by the Ministry of Human Resources and Social Development), such will restrict its ability to employ non-Saudi employees, which will negatively affect the Merging company's ability to conduct its business normally.

It is worth noting that Ministerial Resolution No. (182495), dated 10/11/1442H, issued regarding the developer Nitaqat program, which approved the restructuring of Nitaqat program based on three major amendments; First: Merging small and micro economic activities with the rest of the economic activities, Second: Presenting a fixed domiciliation plan for the next three years to provide legislative stability, Third: Improving the direct relationship between workers and the required domiciliation percentage as an alternative to the percentages based on specific and fixed sizes of establishments. Therefore, upon implementing this decision, the Saudization rate in the Merging company may decrease and/or increase, which may cause corrective measures to be taken to adapt to the new law. The company's business and activities may be affected in case of failure to meet such requirement.

2.4.19 Risks related to compliance with the regulations of Saudi Central Bank

the Merging company will bear any violations and/or penalties imposed by Saudi Central Bank. Cooperative Insurance Companies Control Law stipulated such violations and/or penalties, as in accordance with Article (19) Saudi Central Bank, if finds out that any of the insurance or reinsurance companies violated the provisions of the Cooperative Insurance Companies Control Law or Executive regulations or followed a policy that would seriously affect their ability to fulfill its obligations, is entitled to one or more of the following actions: (1) Appointing one or more consultants to advise the insurance company in managing its business, (2) Suspending any member of the board of directors or any of the insurance company's employees proven responsible for the violation, (3) Preventing the insurance company from accepting new subscribers, investors or participants in any of its insurance activities or limiting that, (4) Obligating the insurance company adopt any other steps it deems necessary. If the Central Bank finds out that the company still violating the provisions of this law or executive regulations and failed to respond to any of the measures taken by the Central Bank in accordance with this article, and despite the imposition of penalties stipulated in this law, Central Bank may request the dissolution of such company. Article (21) of the Cooperative Insurance Companies Control Law also indicates that without prejudice to any severer penalty stipulated in any other law, anyone violates any of the provisions of the Cooperative Insurance Companies Control Law shall be fined with not exceeding one million Saudi riyals and/or imprisonment for a period not exceeding four years. It is worth noting that the Merging company will bear any financial fines, will bear the imposition of penalties arising from any obligations transferred to from Enaya and/or its current obligations, which will negatively and fundamentally affect the Merging company's business, financial position, results of operations and share profitability.

2.4.20 Risks associated with anti-money laundering and countering the financing of terrorism regulations

Amana and Enaya are currently storing their clients' information through their computer systems. It is worth noting that the Merging company shall, upon completion of the Merger transaction, continue to comply with the provisions of the anti-money laundering and countering the financing of terrorism laws. The Merging company will review the information of the clients whose valid insurance policies will be transferred to upon the completion of the Merger transaction, will also save their information within the computer systems of the Merging company. As reviewing these files, ensure their compliance with the regulations of anti-money laundering and countering the financing of terrorism and

keeping them within the computer systems of the Merging company considered a process that requires time, which may result in the failure of the Merging company to comply with the anti-money laundering and countering the financing of terrorism regulations at a time. Nor can the Merging company guarantee its full and permanent compliance with these procedures and requirements. Failure to comply with the anti-money laundering and countering the financing of terrorism regulations makes the Merging company liable to legal accountability, thus leads to the imposition of fines and/or penalties that will be borne by the Merging company. The penalties stipulated in the Anti-Money Laundering Law for perpetrators of the crime of money laundering are imprisonment for a period no less than two years and not exceeding ten years and/or a fine not exceeding SAR five million.

In the event that the Merging company failed to comply with the regulations of anti-money laundering and co countering the financing of terrorism, it will be fined by the regulatory authorities, and thus will negatively and fundamentally affect the Merging company's business, financial position, results of operations, share profitability and future expectations.

3. Economic and market information on the business sector of the Merged company and its trends

3.1 Economic environment in Saudi Arabia

According to the Financial Stability Report for 2021G, issued by the Saudi Central Bank, actual GDP data showed rates of decline by about 4.1% during 2020G, compared to an increase of 0.3% in 2019G. In light of the decline in oil output by 6.7% compared to a decrease of 3.6% in 2019G, the non-oil output recorded a decrease of 2.3% in 2020G compared to an increase of 3.3% in 2019G.

The COVID-19 pandemic has caused high casualties all over the world. To save lives and allow healthcare systems to transaction with the current situation, international governments have asked people for social distancing and isolation, imposed curfews and closed many workplaces to control and slow the spread of COVID-19 among people. Which led to a sharp decline in the workforce and lower productivity around the world. Which contributed significantly to the decline in demand for oil, and consequently the decline in oil prices. So this health crisis has a severe impact on economic activity.

In view of the economic and global conditions resulting from the consequences of the outbreak of COVID-19 pandemic, the sharp decline in global economic growth expectations and the negative repercussions on oil markets and direct impact on public finances in the Kingdom of Saudi Arabia, the government adopted measures to limit the impact of the drop in oil prices. Additional measures will be taken to transaction with the expected lower prices. Such will negatively affect the Saudi economy.

3.2 The insurance sector in Saudi Arabia

3.2.1 Overview of the insurance sector

The insurance sector is one of the most important financial services sectors in any economy, keeps pace with all other economic activities and contributes on supporting and maintaining stability of such activities. According to the Saudi Insurance Market Report 2020G issued by Saudi Central Bank, Saudi Central Bank implemented a number of regulatory reforms in the insurance sector during 2019G. An update of the actuarial business controls issued following conducting public consultations in 2019G, which resulted in the issuance of the final controls in the first quarter of 2020G. The first and second phases of the project to implement IFRS 17 have also been completed, and the third phase of the four phases of the project is expected to be completed in April of 2021G.

According to the Financial Stability Report 2020G and the Saudi Insurance Market Report 2020G issued by Saudi Central Bank, the insurance market recorded an increase in underwritten premiums, which amounted to 2.3% in 2020G, thus, the total underwritten premiums amounted to SAR 38.3 billion.

According to the Saudi Insurance Market Report 2020G and the Financial Stability Report 2020G issued by Saudi Central Bank, the insurance sector witnessed many developments during 2020G, the most of which are:

- The number of Merger initiatives among insurance companies have been increased, as six companies announced signing a preliminary memorandum of understanding to assess the feasibility of three Mergers in the insurance sector (the first quarter of 2020G witnessed the first Merger in the sector).
- The success of the pilot phase of the vehicle accident damage assessment initiative.
- Granting an initial approval to a foreign insurance company to open a branch in the Kingdom, in accordance with the licensing and control regulations for branches of foreign insurance and/or reinsurance companies in the Kingdom, which recently issued by Saudi Central Bank.
- Increasing the use of electronic insurance brokerage, following Saudi Central Bank issued the rules regulating the works thereof.
- According to the annual reports on the insurance sector issued by Saudi Central Bank, the data below shows the most important components of the sector.

3.2.2 Gross premiums of the underwritten shares

Table No. (2): Gross premiums of the underwritten shares

Insurance type	December 31, 2018G		December 31, 2019G		December 31, 2020G	
	Total (by SAR million)	Total (%)	Total (by SAR million)	Total (%)	Total (by SAR million)	Total (%)
Total health insurance	19,883,4	56,8%	22,474,9	59,3%	22,836,8	58,9%
Total general insurance	14,028,4	40,1%	14,280,7	37,7%	14,678,3	37,9%
Total Protection and Savings Insurance	1,102,7	3,1%	1,134,9	3,0%	1,263,6	3,3%
Total	**35,014,5**	**100%**	**37,890,5**	**100%**	**38,778,7**	**100%**

Source: The annual report of Saudi Central Bank for 2020G.

The underwritten premiums are meant to be spending on different types of insurance as shown in the above table. According to the Saudi insurance market report for 2020G issued by Saudi Central Bank, the total insurance premiums underwritten increased by 2.3% in 2020G to reach SAR 38.78, compared to SAR 37.89 billion in 2019G. Health insurance also maintained its position as the largest insurance activity in 2020G. The share of health insurance in the total insurance premiums underwritten increased to 58.9% in 2020G. On the other hand, the share

of general insurance in the general insurance sector increased to 37.9% in 2020G compared to 37.7% in 2019G. The protection and savings insurance activity maintained its rank in terms of being the least in terms of insurance activities, as its share in the total insurance premiums underwritten reached 3.3%.

3.2.3 Depth of Insurance Market

Table No. (3): Depth of Insurance Market to GDP

Type of insurance	31 December 2018G		31 December 2019G		31 December 2020G	
	Total (in SAR m)	Total (%)	Total (in SAR m)	Total (%)	Total (in SAR m)	Total (%)
Total health insurance	0.48%	0.73%	0.48%	0.70%	0.56%	0.73%
Total general insurance	0.68%	1.03%	0.76%	1.11%	0.87%	1.11%
Total protection and savings insurance	0.04%	0.06%	0.04%	0.06%	0.05%	0.06%
Total	**1.20%**	**1.82%**	**1.27%**	**1.87%**	**1.48%**	**1.92%**

Source: 2020G Annual Report of Saudi Central Bank.

Depth of insurance market means the total underwritten premiums in relation to the gross domestic product. According to 2020G Saudi insurance market report as issued by the Saudi Central Bank, the depth of insurance increased in 2020G to 1.48% compared to 1.28% in 2019G, due to the increase in total underwritten insurance premiums. The compound annual growth rate (average) of the insurance depth amounted to -0.13% during the past five years. The depth of non-oil GDP insurance amounted to 1.92% in 2020G compared to 1.87% in 2019G; noting that the depth of non-oil insurance is defined as the percentage of total underwritten premiums insurance to non-oil GDP.

3.2.4 Insurance Market Density

Table No. (4): Insurance Market Density

Type of Insurance (SAR) (Per Capita)	2018G	2019G	2020G	compound annual growth rate 2017G-2019G
Total health insurance	419.8	417.3	414.42	(0.64%)
Total general insurance	595.1	656.8	644.76	4.09%
Total protection and savings insurance	33.0	33.2	35.68	3.98%
Total	**1,047.9**	**1,107.3**	**1,095**	**2.22%**

Source: 2020G Annual Report of Saudi Central Bank.

Insurance density is the average per capita expenditure (PCE) on insurance (i.e. the total underwritten premiums divided by the population of the Kingdom of Saudi Arabia). According to the 2020G Saudi insurance market report as issued by the Saudi Central Bank, the insurance density increased from SAR 1,048 per capita in 2018G to SAR 1,095 per capita in 2020G, with an increase of 2.2%. The compound annual growth rate (average) of the PCE rate on insurance services reached -1.1% during the past five years.

Underwritten premiums are SAR (38.8) billion in insurance companies operating in the Kingdom of Saudi Arabia, where the insurance industry witnessed an estimated growth of 2.3% during 202G, compared to SAR (37.89) billion in 2019G. Health insurance maintained its position as the largest insurance activity in 2020G, where its share amounted to 58.9% of the total underwritten premiums, subject to the 2020G General Insurance Market Report issued by the Saudi Central Bank.

Vehicle insurance activity is decreased by 2.9%, reducing the increase in the total underwritten insurance premiums in the Kingdom during 2020G. Where they decreased to SAR 8.4 billion in 2020G compared to SAR 8.6 billion in 2019G. It is worth noted that in 2020G, the underwritten premiums led by electronic brokerage platforms amounted to SAR (2.3) billion, compared to SAR (1.3) billion in 2019G.

On the other hand, the total underwritten premiums of health insurance increased during 2020G by (1.6%) with a value of SAR 22.8 billion. Health insurance represents (58.9%) of the total underwritten insurance premiums in the Saudi insurance market. The underwritten premiums of general insurance increased during 2020G by 1.8%, equivalent to 14.3 billion, and general insurance represents 37.7% of the total underwritten insurance premiums. While the increase rate of underwritten premiums of protection and savings insurance amounted to 2.9%, equivalent to SAR 1.1 billion, protection and savings insurance represents 3.0% of the total underwritten insurance premiums.

The total retention rate of the insurance industry decreased to 77.5% in 2020G compared to 81.9% in 2019G, while the paid claims decreased from SAR 28.5 billion in 2020G compared to SAR 28.5 billion in 2019G, with an increase of 5.4%. Paid claims of health insurance and Vehicle insurance represent 69.4% and 20.4%, respectively, of the total paid claims in 2020G. The health insurance retention rate maintained its increase between 2019G and 2020G, reaching 96%.

3.2.5 Insurance Market Trends

Subject to the 2020G Financial Stability Report issued by the Saudi Central Bank, the insurance market has recorded an increase in underwritten insurance premiums, for the first time in three years. Such increase is 8.3% in 2019G, bringing the total underwritten premiums to SAR 37.8 billion, driven by the strong performance of the health insurance industry. In addition, the volume of the insurance market increased in terms of assets, where total assets recorded an increase of 9% compared to the global market in 2018G, achieving SAR 63 billion.

In general, the insurance industry has a strong financial solvency and sufficient technical provisions. However, the loss rate is still high, together with the increase of insurance claims on insurance companies, especially from health insurance policies. The profitability of insurance companies is, in general, still low, where the net profit in the insurance industry is SAR 873 million in 2019G, achieving a growth of more than 300% compared to 2018G.

Subject to the 2020G Financial Stability Report issued by the Saudi Central Bank, health insurance and vehicle insurance still acquire the largest proportion of the insurance industry, as they together constituted 82% of the industry's market share in 2019G. The health insurance share of the total underwritten premiums increased to 66%. The share of vehicle insurance continued to decline, for the third year in a row, from 33% in 2016G to 23% in 2019G. On the other hand, various types of property and casualty insurance have maintained relatively stable shares over the past three years (jointly representing approx. 15% of the market).

The top five insurance companies have acquired about 67.5% of the total underwritten insurance premiums in 2020G. The concentration of premiums reached its highest levels in the health insurance activity, where the five largest companies have acquired 85% of the total activity premiums. One of the factors that contributed to this high concentration in the health insurance industry is the provision of health insurance services exclusively by a major insurance company. This large concentration of health insurance premiums constitutes a latent statutory risk that may affect the stability of the industry. On the other hand, in the vehicle insurance activity, where competition is high, the top five insurance companies have acquired only 49% of the total premiums.

Subject to 2020G Financial Stability Report issued by the Saudi Central Bank, the insurance industry's medium and long-term expectations indicate that the industry will witness a growth due to the structural reforms and development initiatives taken during the past few years, in addition to economic activity and giant infrastructure projects related to Vision 2030G, which constitute potential opportunities for subscription. However, these expectations will be affected by recent macroeconomic developments, specifically the volatility of oil prices and the significant repercussions of the Covid-19 pandemic on the global economy.

4. Merger Transaction

4.1 An overview of Merger Transaction

On 29/03/1442H corresponding to 15 November 2020G, Amana announced that a non-binding memorandum of understanding is executed with Enaya, in order to assess the feasibility of Merger of both companies, in addition to conducting verifications and due diligences in financial, legal, actuarial, and tax terms. Signing the non-binding memorandum of understanding was as a result of the preliminary results of studies and discussions on the proposed Merger transaction. Enaya and Amana agreed that if the Merger project succeeds, the Merger will be completed by way of share exchange so that Amana, upon completion of the Merger, will issue new shares to the shareholders of Enaya in return for all issued shares they hold in Enaya. Both companies initially agreed that the basis of the Valuation will be established by using the equity book value, after making the adjustments that will be agreed upon according to the results of due diligence and the verifications, and that the swap ratio between Amana and Enaya's shareholders will be calculated by using the adjusted book value per share of both Companies on a date as agreed by both parties. Accordingly, both companies formed a team consisting of members of the executive management of each company to study and review the commercial, financial and legal aspects of the proposed structure of the Merger transaction. Subject to the memorandum of understanding, both Companies initially agreed that the basis of Valuation will be established by using the equity book value, and the method of the adjusted equity book value, subject to the financial statements announced for both companies as at 30 September 2020G, after making the adjustments that have been agreed upon based on the results of the necessary professional examination.

Accordingly, Amana and Enaya signed a binding Merger agreement on 17/09/144AH (corresponding to 29/04/2021G). Amana announced that the Merger agreement is concluded, whereby the terms and conditions of Merger of Enaya and Amana are agreed thereupon. For more information on the terms and conditions of the Merger Agreement, please refer to Section 6.4.1 ("**Merger Agreement**") of this Circular.

Both parties agreed that the only consideration for the Merger would be for the Amana, upon completion of the Merger, is to issue new shares to the shareholders of Enaya in exchange for all issued shares they hold in Enaya (taking into account the settlement procedures) exclusively for the benefit of the eligible shareholders of Enaya in consideration of Merger of Enaya and Amana, where Amana will issue (1.05720160) new ordinary share in Amana against each single (1) share in Enaya. This will result in transfer of all assets and liabilities of Enaya to Amana. Consequently, Enaya will cease by the force of Law and all Enaya's shares will be canceled from Tadawul.

As a result of the Merger transaction, Amana will increase its capital and issue fifteen million eight hundred fifty-eight thousand twenty-four (15,858,024) new ordinary shares with a total nominal value of ten (10) Saudi riyals in exchange for Merging Enaya into Amana. It has been agreed that there will be no consideration made in cash to the shareholders of Enaya. The total number of shares will be fifteen million eight hundred fifty-eight thousand and twenty-four (15,858,024) new ordinary shares, fully paid, with a nominal value of ten (10) Saudi riyals per share, where the total nominal value of the new share is ten (10) Saudi riyals.

The total value of the Merger transaction was determined based on the nominal value of new shares. The total nominal value of the new shares is one hundred fifty-eight million five hundred eighty thousand two hundred forty (158,580,240) Saudi riyals. The total market value of the new shares, based on the swap ratio and the closing price of Amana shares amounting to (64.38) Saudi riyals as at 16/09/1442H (corresponding to 28/04/2021G) (the last trading day preceding the date on which the Merger agreement is concluded), is one billion twenty million and nine hundred thirty-nine thousand five hundred and eighty-five (1,020,939,585) Saudi riyals. The total value of the new shares, that will be included in the financial statements of Amana, will be determined at a later time based on the closing price of Amana shares on the last trading day preceding the effective date of the Merger resolution.

On the effective date of the Merger resolution, the Amana's shareholders will hold 45% of the shares of the Merging Company. The shareholders of Enaya will hold 55% of the shares of the Merging Company.

In the event that fractional shares are resulted from the calculation of number of shares due to any of Enaya shareholders based on the sawp ratio, then the resulting number will be rounded to the nearest integer. For example, if a shareholder of Enaya holds (50) shares in Enaya, then (52) shares, but not (53) shares, of the new shares will be allotted to such shareholder. The fractional shares will be then consolidated and sold in trading at the market price on behalf of the shareholders of Enaya who are entitled to them, then the proceeds resulting from the sale of the fractional shares will be distributed to those entitled to them in proportion with the share of each shareholder, within a maximum of thirty (30) days from the date of completing the Merger transaction. The sale-related costs of the fractional shares will be deducted from the total proceeds received from the sale of the fractional shares.

The following table shows the details of ownership of Amana for each shareholder of Amana, the shareholders of Enaya and the public before and after the completion of the Merger transaction:

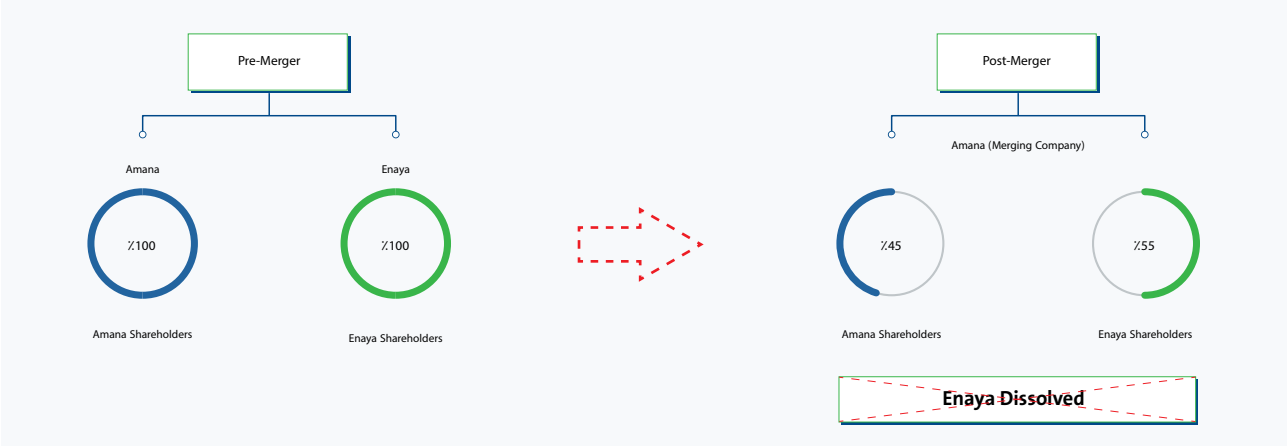
Table No. (5): Shareholders' ownership structure before and after completion of Merger Transaction

Shareholder	Before completion of Merger Transaction		After completion of Merger Transaction	
	No. of Shares	% of ownership	No. of Shares	% of ownership
Amana Gulf Insurance Company BSC	1,772,975	13.64%	1,772,975	6.14%
Munich Re	N/A		2,378,704	8.24%
National Health Insurance Company (Daman)	N/A		1,585,802	5.50%
The Public	11,227,025	%86.36	23,120,543	80.12%
Total	**13,000,000**	**100%**	**28,858,024**	**100%**

Source: Tadawul, Amana, Enaya, Financial Advisor

Amana appointed Alinma Investment as a financial advisor in respect of the Merger transaction. The following is a simplified model of the structure of Merger Transaction:

Figure No. (1): Structure of Merger Transaction



Source: Financial Advisor, Amana, Enaya

4.2 Drivers of Merger and its consequences to Amana

4.2.1 Important Notice

The information contained in this section reflects the current opinion of Amana in respect of the benefits and advantages that are currently expected to be achieved from the Merger transaction, as its directors may see regarding the expected benefits and advantages. We would like to point out that the information contained in this section includes expectations and future statements and therefore it may be exposed to risks and fluctuations and should not be relied upon completely. For more information on these risks, please see Section (2) ("**Risk Factors**") of this circular. It should also be noted that the information contained in this section has been included based on preliminary Valuation conducted by Amana and therefore may subject to change after the completion of studies and analyzes of how both companies' businesses are Merged. It is also understood that there is no intention to update or revise any of the information, expectations and future statements contained in this section; unless such update or revision is required by relevant laws. Neither the information contained in this section should be considered as expectations or predictions about the current or future financial performance of Amana, nor any statement in this circular should be considered as confirmation that the profit per share of the Merging Company will be equal to or greater than the profit per share of Amana for the previous financial periods.

4.2.2 Drivers of Transaction and its consequences to Amana

The proposed Merger of Enaya and Amana is an important step to acquire a greater market share, which would enhance the competitive position of the Merging Company upon completion of the Merger transaction. Members of the Board of Directors of Amana believe that expertise of Enaya's teams and insurance products- related technical infrastructure will establish a positive comparative advantage to improve the market share of the Merging Company, particularly, with regard to health insurance market. Thus, the Merging Company will cover all insurance products of both industries, health insurance and general insurance.

It is also expected that the new capital of the Merging Company will contribute to improve the capability of the Merging Company to invest its funds and, consequently, the investment returns resulting from those investments. On the other hand, it is expected that the new capital of the Merging Company will contribute to obtaining a better rating by the international financial rating agencies. In addition, due to the expected increase in the volume of business, the Merging Company will have a better capability to negotiate prices with the reinsurance companies.

Drivers of Merger include, but not limited to:

1- Improvement of efficiency of the Merging Company's Capital: As a result of the Merger Transaction, the Merging Company will have a stronger capital and a high-level of solvency. Therefore, the Merging Company will be more able to bear a higher level of risks, provide better insurance services and able to invest its funds in a better manner. It is also expected that the capital shall contribute to acquire a better rating by international financial rating agencies.

2- Improvement of the Merging Company's Competitive Position in Insurance Market: As a result of the Merger transaction, it is expected to increase the market share of the Merging Company together with a larger and more diversified client base. Thus, this will lead to an improvement in the position of the Merging Company and the results of its operational and financial operations compared to the current positions of both Amana and Enaya.

3- Reduction of operating expenses and capability to offer products at competitive prices: As a result of the Merger Transaction, the Merging Company will be able to reduce the operating expenses and general and administrative expenses in proportion to its new business volume. Thus, the Merging Company will be able to provide insurance products at more competitive prices on a long-term basis.

4- Leverage from administrative and technical expertise and technical infrastructure: As a result of the Merger Transaction, it is expected that the Merging Company will get benefit from the cumulative experiences regarding the administrative and technical aspects and the technical infrastructure possessed by both companies.

5- Leverage from strategic partners: As a result of the Merger Transaction, it is expected that the Merging Company will get benefit from the presence of Amana Gulf Insurance Company BSC, Munich Re, and the National Health Insurance Company (Daman) as strategic partners of the Merging Company. The Merging Company will leverage from the cumulative experiences of the strategic partners in terms of regional and global best practices and the cumulative technical expertise in insurance industry possessed by the strategic partners through their presence in the Middle East.

6- Improvement of the Merging Company's Capability to negotiate prices with reinsurers.

4.2.3 Proposed amendments to the Merging Company's Board of Directors:

Amana is currently managed by a Board of Directors consisting of (7) members, as follows:

Table No. (6): Amana's Board Members

Name	Title
Mahmoud bin Mohamed Al Toukhi	Chairman
Abdullah bin Othman Al Musa	Deputy Chairman
Abdul Rahman bin Abdullah Al Sukran	Board Member
Haitham bin Tawfiq Al Fraih	Board Member
Nayef bin Faisal Al Sudairi	Board Member
Badr bin Ibrahim Al Suwailem	Board Member
Pierre Michel Pharaoh	Board Member

Source: Amana

Under the Merger agreement, it is agreed that after the completion of the Merger transaction, the Merging Company shall be managed by a board of directors consisting of eight (8) members, as follows:

- Out of the eight (8) members, four (4) members shall be nominated by Amana, either they are current members of the Board of Directors of Amana or otherwise, including one (1) independent Board Member, and one (1) Board Member to chair the Board of Directors. Prior to the effective date of the Merger resolution, Amana shall notify Enaya of: (a) individuals nominated by Amana to serve as Board Members of the Merging Company, and (b) the names of three or more current Board Members of Amana at the time of signing the Merger agreement and whose resignations shall be effective upon the enforcement of the Merger resolution.
- Enaya Company may nominate four (4) members to the Board of Directors of the Merged Company, including two (2) independent Board Members and one (1) board member to act as the Deputy Chairman. Enaya shall notify Amana of the names of the individuals proposed to be nominated thereby to serve as Board Members of the Merging Company.

The new Board Members shall be appointed after obtaining the approval of the Saudi Central Bank, and the approval of the Merging Company's Ordinary General Assembly must be obtained. Under the Merger agreement, it is also agreed that Mr. Mahmoud bin Mohamed Al Toukhi will remain as Chairman of the Merging Company, while Mr. Amr Mohamed Khashoggi will serve as deputy Chairman of the Merging Company as agreed by the Merger agreement.

4.2.4 Amana's Looking-ahead Plans Relating to Accumulated Losses

Amana intends to amortize the remaining accumulated losses (amounting to 95.04% of its capital as of September 30, 2021) after the Merger by using the balance of the issuance premium resulting from the Merger, after obtaining the necessary approvals, including the ordinary general assembly of the Merging company.

After the Merger, Amana will consider other available options that may contribute to reducing the percentage of accumulated loss-to-capital ratios, which may include an increase in Amana's capital through offering priority rights shares or exploring ways to merge with other insurance companies. *

4.3 About Enaya's Operations

(A) Incorporation

Enaya has been incorporated as a Saudi joint stock company by the approval passed pursuant to Cabinet Resolution No. (224) dated 25/07/1432H (corresponding to 27/06/2011G) and Royal Decree No. (M/49) issued on 27/07/1432H (corresponding to 29/06/2011G), by virtue of the Cooperative Insurance Companies Control Law issued by Royal Decree No. (M/32) dated 02/06/1424H and the Companies Law issued by Royal Decree No. (M/6) dated 22/03/1385H, as amended. Enaya is also registered at the Commercial Registry under No. (403020223528) dated 27/03/1433H (corresponding to 19/02/2012G). Enaya has obtained a license to carry out insurance activity No. (TMN/32/20128) dated 19/09/1433H (corresponding to 07/08/2012G) issued by the Saudi Central Bank. Upon incorporation, the capital of Enaya is fixed at (400,000,000) Saudi riyals, divided into (40,000,000) shares, with a nominal value of (10) Saudi riyals per share.

On 17/01/1438H (corresponding to 18/10/2021G), the Extraordinary General Assembly of Enaya agreed to reduce its capital to (200,000,000) Saudi riyals divided into (20,000,000) shares with a nominal value of (10) Saudi riyals per share, by canceling (20,000,000) shares with a nominal value of (10) Saudi riyals per share for the purpose of restructuring the capital in order to amortize the accrued losses, improve the return on share with achieving profits, obtain a good credit rating, reduce the statutory deposit, invest the surplus and assist Enaya to achieve its business plan.

On 26/09/1439H (corresponding to 10/06/2018G), the Extraordinary General Assembly of Enaya approved to reduce its capital to (100,000,000) Saudi riyals divided into (10,000,000) shares with a nominal value of (10) Saudi riyals per share, by cancelling (10,000,000) shares with a nominal value of (10) Saudi riyals per share.

On 05/04/1440H (corresponding to 12/12/2018G), the Extraordinary General Assembly of Enaya approved to increase its capital to (300,000,000) Saudi riyals divided into (30,000,000) shares with a nominal value of (10) Saudi riyals per share, by offering (20,000,000) rights issue shares with a nominal value of (10) Saudi riyals per share.

On 29/08/1441H (corresponding to 22/04/2020G), the Extraordinary General Assembly of Enaya approved to reduce its capital to (150,000,000) Saudi riyals divided into (15,000,000) shares with a nominal value of (10) Saudi riyals per share, by canceling (15,000,000) shares with a nominal value of (10) Saudi riyals per share.

The current capital of Enaya is (150,000,000) Saudi riyals divided into (15,000,000) shares with a nominal value of (10) Saudi riyals per share, all are fully paid up and have been listed in Tadawul since 05/04/1433H (corresponding to 27/02/ 2012G). Enaya operates in health insurance industry. The current head office of Enaya is located at Jeddah, Khalidiya District, Prince Sultan St., PO Box 3528 Jeddah 21481. The number of active employees of Enaya is 121 according to the Social Insurance Certificate, with a Saudization rate of about (57.38%), Enaya is currently included in the "high green" range of the Saudization Programme Nitaqat.

(B) Fiscal Year and Auditors

The fiscal year of Enaya shall start on the 1st of January and shall end on 31st of December, each Gregorian year. The Ordinary General Assembly of Enaya has appointed M/S: Ibrahim Ahmed Al Bassam & Partners – chartered accountants, and M/S. Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants as auditors of Enaya.

(C) Ownership Structure

The capital of Enaya is (150,000,000) Saudi Riyals divided into (15,000,000) shares with a nominal value of (10) Saudi Riyals per share. The table below shows the ownership structure of Enaya as at the date of this circular:

Table No. (7): Ownership Structure

Name	(%) of ownership
Munich Re	15%
National Health Insurance Company (Daman)	10%
The Public	75%
Total	**100%**

Source: Tadawul

(D) Overview of Enaya's business

Enaya's activity is to carry out cooperative insurance business in health insurance industry. Enaya carries out all business as may be required to achieve its purposes, in the areas of insurance, investment of its funds, ownership, transfer, sale, exchange or lease fixed and cash funds, either by Enaya itself, companies established or acquired by Enaya, or in partnership with other parties. Enaya shall carry out its activities subject to the Cooperative Insurance Companies Control Law, the Executive Regulation thereof, and the applicable laws and rules of the Kingdom of Saudi Arabia after obtaining the necessary licenses from the competent authorities. Enaya offers its clients all types of health insurance.

(E) Enaya's Insurance Products

Table No. (8): Enaya's insurance products

Main Insurance Activity	Insurance Product	Current status (as at the date of shareholders' circular)	Saudi Central Bank's letter (Reference)	Date of Approval
Health Insurance	Health Insurance	A valid license until 24/10/1445H	TMN / 32/20128	19/09/1433H

Source: Enaya

(F) Explanation of insurance policies provided by Enaya

Enaya specializes in cooperative health insurance business. Enaya has obtained the final approval from the Saudi Central Bank to provide the products listed in the table below. This shall result in the obligation of Enaya towards the insured parties to provide insurance coverage and protection, and its compliance with the requirements of the Saudi Central Bank with regard to providing the necessary documents to update or amend any of these Products and their documentation.

Table No. (9): Insurance Policies Provided by Enaya

Main Insurance Activity	Insurance Product	A Brief Explanation of Insurance Policy
Health Insurance	Group insurance policy	Under this policy, Enaya shall cover the costs of medical services incurred by policyholders (corporate employees) with a specific network of hospitals, clinics, dispensaries and medical centers.
	Umrah Insurance	Under this policy, Enaya shall cover the basic health benefits available to visitors of the Kingdom for the purpose of performing Umrah.
	Visitor insurance policy	Under this policy, Enaya shall cover the basic health benefits available to the persons visiting or transiting-through the Kingdom.

Source: Enaya

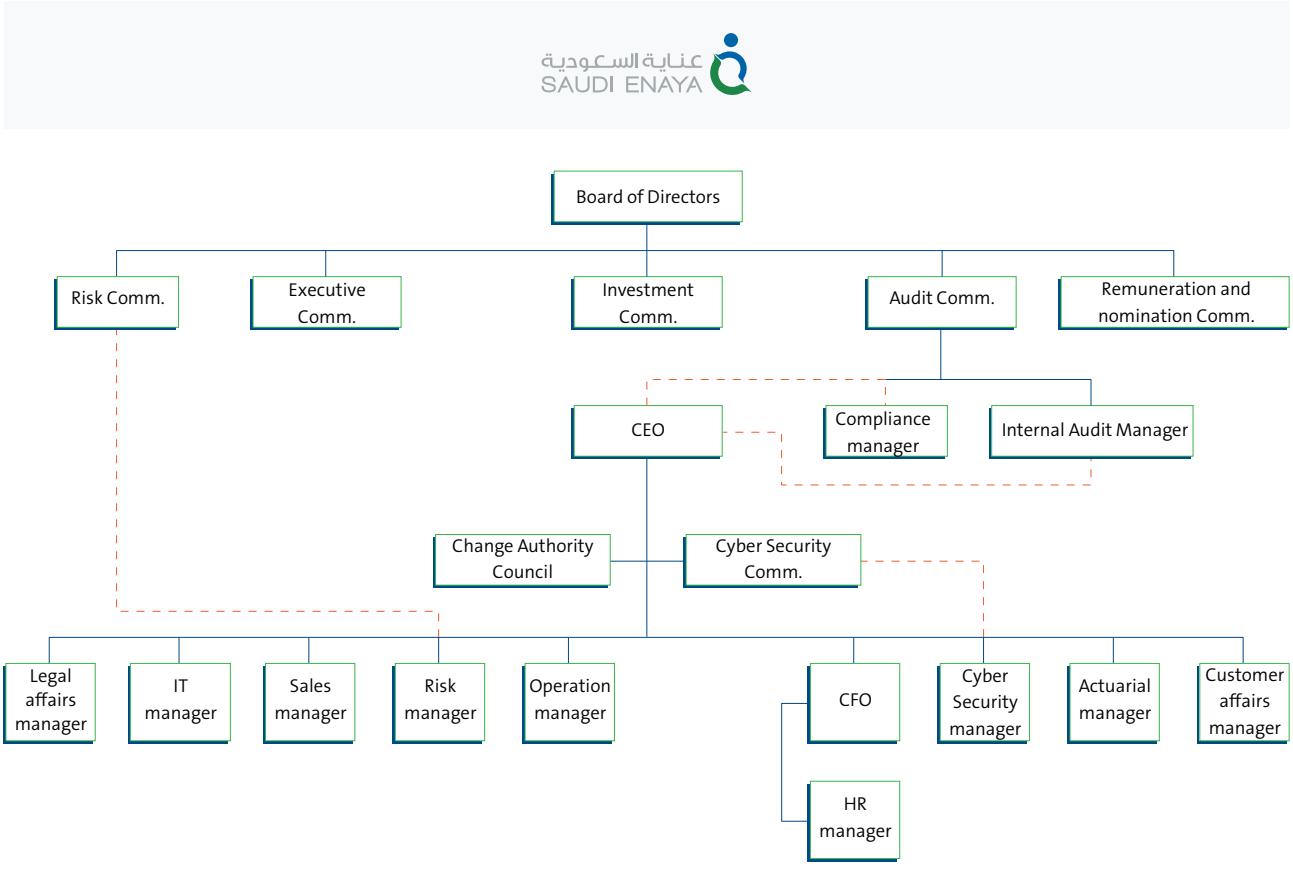
(G) Technical Allocations (Reserves)

Technical reserves shall be calculated pursuant to the requirements of the Saudi Central Bank, based on accounting standards accepted by the Saudi Organization for Charted and Professional Accountants, and after being approved by the actuary, including the obligations of Enaya. This shall include the following technical provisions:

- Unearned premiums
- Unpaid claims
- Incurred, but not reported, claims
- Insurance premium deficiency reserve
- Other technical reserves

(H) Enaya's Organizational Structure

Figure No. (2): Enaya's Organizational Structure



Source: Enaya

(I) Members of Board of Directors and Executive Management of Enaya

Enaya is managed by a Board of Directors consisting of (8) members appointed by the Ordinary General Assembly. Enaya's Board of Directors has sub-committees, including Executive Committee, Audit Committee, Nominations and Remunerations Committee, Risk Management Committee and Investment Committee. Such committees support the role of Enaya's Board of Directors to follow-up and audit Enaya's activities and to provide the management with the necessary guidance and direction. Such committees shall meet periodically to study various issues, carry out tasks assigned thereto, and submit their reports to Enaya's Board of Directors. The main responsibility, inter alia, shall be vested in Enaya's Board of Directors.

As at on the date of this circular, the Board of Directors of Enaya shall consist of (8) members appointed from 08/03/2021G to 07/01/2024G, as follows:

Table No. (10): Members of Board of Directors of Enaya

Name	Title	Representation	% of ownership in Enaya
Amr Mohamed Khalid Khashoggi	Chairman	Personal	-
Faisal Farouk Mohamed Tamr	Deputy Chairman	Personal	0.0008333%
Khaled Abed Hosni Qamah	Board Member	Personal	-
Al Dana Khaled Ahmed Al-Juffali	Board Member	Personal	0.6666666%
Cornelius Alexander Lons Ankel	Board Member	Munich Re – German	-
Hamad Abdullah Al Ali Al Mahyas	Board Member	Daman – UAE	-
Mohamed Abdullah Jaafar Al-Dar	Board Member	Personal	-
Abdullah Mohsen Al-Nimri	Board Member	Personal	-

Source: Enaya

The following table shows the members of the executive management of Enaya and the number of shares they hold in Enaya:

Table No. (11): Members of the Executive Management of Enaya

Name	Title	% of ownership in Enaya
Sultan Mohamed Abdul Raouf	Chief Executive Officer	-
Ramy Ibrahim Al Madhoun*	Chief Financial Officer	-
Mazen Jameel Ali Shahawi	Acting Director of Compliance & Director of Internal Audit Department	-
Wejdan Abdulaziz Bakhriba	Acting Director of Human Resources Department	-
Ryan El Nozha	Acting Director of Cyber Security Department	-
Abdul Jabbar Al Murabaai	Director of Customer Service Department	-
Alexander Sager Lefevre	Internal Actuary	-
Thomas Rain	Director of Technical Department	-
Sami Al Maliki	Director of Sales Department	-

Source: Tadawul and Enaya

* Rami Al-Madhoun held the position of Enaya's Finance Manager from 01/01/2021G, then he submitted his resignation on 31/08/2021G and it was accepted.

4.4 Valuation of Enaya and Amana

After negotiation and discussion made by both companies, Amana and Enaya have agreed on the swap ratio, which determines the number of shares that Enaya's shareholders will obtain in the Merging Company after the Merger resolution becomes effective. During the negotiation stage, Amana has received an advice of its advisors, in addition to reviewing the data of the necessary professional due diligence reports related to Enaya's business (for more information about the terms of the Merger agreement, please refer to (6.5.7) "Summary of Terms and Conditions of conclusion of Merger Transaction" of this circular).

The discussions of swap ratio made by both companies have been subjected to the provisions of the non-binding memorandum of understanding concluded by and between Amana and Enaya, dated 29/03/1442H (corresponding to 15/11/2020G), so where both companies agreed that, if a final resolution reached in respect of the conclusion of the Merger transaction, the same shall be made by Merging Enaya into Amana, whereby Amana shall issue new shares to the shareholders of Enaya, in exchange for transferring Enaya's assets and labilities to Amana. Both companies also agreed that the Valuation shall be based on the adjusted equity book value resulting from the necessary professional due diligence subject to the financial statements announced by both companies as at 30 September 2020G (pursuant to the foregoing memorandum of understanding, it was agreed to approve the audited financial statements for the period ended on 30/09/2020G, given that they are the closest financial statements that precede the conclusion of the Memorandum of Understanding).

Both companies reviewed and discussed the amendments and exclusions to equites of both companies resulting from the professional due diligence studies. Both companies agreed on a number of amendments described below in this section.

The following table shows the Valuation method used in calculating the swap ratio of the Merger transaction:

Table No. (12): Valuation of Enaya and Amana

Financial Statements as at 30 September 2020G	Amana	Enaya	Merging Company
Equity Book Value	133,654,000	125,441,000	259,095,000
Amendments agreed upon by both companies as extracted from the professional due diligence reports	(33,362,000)	(3,100,000)	Not Applicable
Adjusted Equity Book Value	100,292,000	122,341,000	Not Applicable
Ownership in the Merging Company	45%	55%	100%
Number of shares of Amana			**13,000,000**
Number of shares of Enaya			**15,000,000**
Swap ratio for each (1) share held in Enaya			**1.05720160**
Number of shares to be issued in favor of Enaya's Shareholders (Compensation Shares)			**15,858,024**
Total shares of the Merging Company (after conclusion of the Merger Transaction)			**28,858,024**

Management of Amana and Management of Enaya have reviewed all proposed adjustments to the Equity Book Value of Amana and Enaya (as shown below in Table No. (14) and Table No. (15)). Both companies discussed such adjustments to reach an agreement regarding the acceptance or rejection of the adjustments (Additions or exclusions) as proposed by the professional due diligence consultants of both companies. Thereafter, a number of adjustments to the equity book value of Amana and Enaya have been approved, as follows:

Table No. (13): Adjustments agreed upon by both companies as extracted from the professional due diligence reports:

Amana		Enaya	
Adjustment	Value	Adjustment	Value
Additional provisions for outstanding receivables due for more than 360 days by reinsurance companies	(20,523,000)	Additional provisions for bad debts	(3,100,000)
Additional provisions for outstanding receivables due from 90 to 360 days	(2,041,000)		
Provisions for outstanding receivables for more than 360 days	(10,558,000)		
Provisions for receivables regarding legal expenses.	(240,000)		
Total adjustments agreed by both companies as extracted from the professional due diligence reports	(33,362,000)	Total adjustments agreed by both companies as extracted from the professional due diligence reports	(3,100,000)

Source: Professional Due Diligence Reports and Discussions of the Managements of both Companies

The following table shows all proposed adjustments by Professional Due Diligence Consultants to Enaya's Equity Book Value as at 30 September 2020G:

Table No. (14): Proposed adjustment to the Enaya's Equity Book Value as at 30/09/2020G

No.	Subject	Proposed adjustment value Additions / (Exclusions)	Statement
1	Impairment of Book Value of Bond Investments	(3,782,000)	Enaya has not tested the impairment of the book value of bonds, owned by Enaya under the investment item, compared to its fair value. The financial advisor, who in charge of the due diligence, has conducted such test and it was found that there was a decrease of (3.78) million Saudi riyals. It's proposed to reduce the equity book value (as at the end of September 2020G) for Enaya to reflect such decrease in the value of these bonds.
2	Additional Provision for Bad Debts	(4,748,000)	This adjustment relates to: • An additional provision for bad debts of (748,000) Saudi riyals, in relation to the receivable balance of a customer of Enaya (electronic company for international communications), as this balance belongs to an expired insurance policy, and Enaya is following up its collection. • Additional provision for bad debts of (4,000,000) Saudi riyals in relation to the excess loss agreement executed with the reinsurance company, Reinsurance Group of America. (For more information, please refer to Risk Factor No. (2.2.8) "**Risks associated with rising receivables to reinsurers**" and Subsection No. (5.6.1.5) "**Reinsurers' receivables**" of Section No. (5) "**Financial Information and Management Discussion and Analysis**" of this circular).
3	Excluded Related to Financial Penalties Imposed by Regulatory Authorities	(220,000)	Such proposed exclusions are due to a number of financial penalties imposed by the regulatory authorities, which were imposed on Enaya after the issuance of the financial statements as at 30 September 2020G. Therefore, such penalties have not been calculated as expenses during the said period, as follows: • In November 2020G, the Saudi Central Bank imposed a financial penalty of 200,000 Saudi riyals on Enaya due to a number of violations of the regulations of the Saudi Central Bank. • In November 2020G, the Ministry of Human Resources and Social Development imposed on Enaya a financial penalty fine of 20 thousand Saudi riyals due to the fact that Enaya laid off a number of their employees during the Corona pandemic period. (For more information, please refer to Risk Factor No. (2.2.16) "Risks Related non-compliance of Enaya with Regulatory Requirements" of this circular).
4	Additional provision for VAT (reflects potential additional VAT claims)	(26,000)	As a result of the tax audit, the financial due diligence advisor recommended that an adjustment shall be added to equity book value to reflect potential additional claims of VAT value on Enaya. For more information, please refer to Risk Factor No. (2.2.24) "VAT-related Risks" of this circular.
5	Existing Legal Issues Provision	(1,703,000)	As in September 2020G, the financial due diligence audit showed that there are two cases filed against Enaya and no provisions were made against the potential claims raised by such cases, which are as follows: • Case 1: is the claims related to the case of Enaya's main building, as filed by the landlord against Enaya, and the case-related claims is (1,648,000 Saudi riyals). • Case 2: is a labor case related to the claims of one of Enaya's employees as a result of the termination of the employee's services, and the case-related claims are (55,000 Saudi riyals). (For more information, please refer to Risk Factor No. (2.2.20 "**Risks related to the case related to the owner of the main administration building of Enaya**," and Risk Factor No. (2.2.7) "**Risks Associated with Claims labour-related issues Based on Enaya Company.**," and Section No. (6.8) "**Lawsuits and Claims against Enaya Company**" of this circular).
6	Security deposit associated to lease agreement of Enaya's main building	(185,000)	At the commencement of the lease agreement (during 2017G) of Enaya's main building, Enaya has paid a security deposit to the Landlord, and subject to the opinion of the financial due diligence consultant, it is difficult to recover such deposit. (For more information, please refer to Risk Factor No. (2.2.20) "**Risks related to the case related to the owner of the main administration building of Enaya**" of this circular).

No.	Subject	Proposed adjustment value Additions / (Exclusions)	Statement
7	Expected Effect as a result of at Enaya	(804,000)	Subject to the financial due diligence report, there are a number of administrative vacancies at Enaya, including the office of Chief Technical Officer (vacant since December 2019G), and Director of Conformity Department (vacant since August 2020G), where the duties of such offices are performed by other administrative staff. The financial due diligence consultant proposed that Enaya's equity book value shall be adjusted by the total expected expenses for the monthly salaries of both positions for the periods in which they were vacant. (For more information, please refer to Risk Factor No. (2.2.23) "Risks associated with Key Vacancies at Enaya").
8	Expected effect as Enaya has no insurance policy on its properties of buildings and equipment against loss or damage.	(2,004,000)	It was proposed by the financial due diligence consultant to reduce the book value of the equity (as at the end of September 2020G) for Enaya to reverse an expense related to the expected insurance cost on Enaya's property of buildings and equipment against losses or damage. (For more information, please refer to Risk Factor No. (2.2.15) "Risks Associated with Lack of Insurance for Enaya's Property and Equipment" of the circular).
9	Accrued Travel Ticket Expenses for Enaya's Employees	(111,000)	They are related to non-registration of travel ticket expenses for Enaya's employees during (2017G, 2018G, 2019G, and three-quarters of 2020G), where Enaya registers expenses at the time they are paid in cash. The financial due diligence consultant believes that the best practices in dealing with such expenses are by registering them as accrued expenses for each financial period. Accordingly, the financial due diligence consultant proposed that equity book value shall be reduced (as at September 2020G) for Enaya to reflect such due expenses.
10	Accrued expenses for the fees of existing consultancy agreements	(515,000)	They are related to existing consultancy agreements entered into by Enaya in respect of the application of international accounting standards (Nos. 9 and 17). Where the financial due diligence consultant proposed that the equity book value shall be adjusted (as at September 2020G) for Enaya to reflect such accrued expenses associated to the services provided under such consultancy agreements.
11	Unearned insurance premium reserve	(235,000)	Subject to the opinion of the due diligence actuary, the unearned insurance premium reserve registered in the financial statements of Enaya as at 30 September 2020G, is less than as shown by the actuarial study by a minor percentage estimated at 0.3%.
12	Insurance premiums deficiency reserve	(1,949,000)	The actuarial due diligence audit report showed that there are differences, in the estimation of the reserve allocated for insurance premium deficiency, between those calculated under the actuarial audit report and those prepared by the actuary for Enaya. Such differences are attributable to the different methods used in the calculation.
13	Unpaid claim reserve	(53,000)	The actuarial due diligence report showed that the unpaid claim reserve was lower as described by Enaya's financial statements compared to the reserve calculated by the actuarial due diligence audit. Such difference is attributable to the different methods used in the calculation by both companies.
14	Incurred, but not reported, reserve	(6,577,000)	The due diligence actuary noted that the incurred, but not reported, claims reserve, registered by Enaya, was less than it should be, as estimated by the due diligence actuary. It is confirmed by the due diligence actuary that the method used by Enaya is consistent with the general actuarial standards in this regard.
15	Provision for claim settlement expenses	(2,013,000)	The due diligence actuary noted that the provision for claim settlement expenses is less than it should be as estimated by the due diligence actuary. Such difference is attributable to the fact that the actuary of Enaya calculates such provision at a rate of (5%) of the total outstanding claims plus the incurred but not reported claim reserve; while the due diligence actuary deems it necessary to calculate such provision at a rate of (10%) of the total incurred but not reported claim reserve, plus 50% of the total outstanding claims.
Total proposed adjustments to Enaya's equity book value as at 30 September 2020G			**(SAR 24,925,000)**
value of adjustments to Enaya's equity book value as agreed thereupon by Amana and Enaya			**(SAR 3,100,000)**

Source: Professional Due Diligence Reports

The conclusions of the professional care reports were technically and operationally discussed by both companies, and it is agreed that Enaya's equity book value shall be adjusted by reducing it with the amounts described above in Table No. (14). The reasons, for which Enaya's equity book value is not adjusted by the full value of the adjustments proposed by professional due diligence consultant, are attributable to certain matters, the most important of which is the difference in methodologies or assumptions used by each company in calculating certain technical or other provisions.

The following table shows all adjustments proposed by the professional due diligence consultants to Amana's equity book value as at 30 September 2020G:

Table No. (15): Proposed adjustment to Amana's equity book value as at 09/30/2020G

No.	Subject	Proposed adjustment value Additions / (Exclusions)	Statement
1	Reinsurer provisions	(530,000)	The financial due diligence consultant appointed by Enaya believes that the mechanism used by Amana to calculate the reinsurer provisions shall be adjusted, to be calculated based on the total balances of reinsurers' receivables instead of calculating them on a basis of reinsurers' net receivables.
2	Additional provisions for outstanding receivables accrued by reinsurance companies for more than 360 days	(20,523,000)	The financial due diligence consultant appointed by Enaya recommended that an additional provision of (20.5) million Saudi riyals shall be created to meet the losses incurred from the inability of Amana to collect such receivables from the reinsurance companies.
3	Additional provisions for outstanding receivables due from 90 to 360 days	(2,041,000)	The financial due diligence consultant appointed by Enaya recommended that an additional provision of (2.04) million Saudi riyals shall be created to meet the losses incurred from the inability of Amana to collect such receivables from its clients.
4	Provisions for outstanding receivables due for more than 360 days	(10,558,000)	The financial due diligence consultant appointed by Enaya recommended that an additional provision for outstanding receivables accrued for more than 360 days shall be created, as Enaya calculates the provision at a rate of (100%) for outstanding receivables (with a lifespan of more than 360 days), where the actual percentage of Amana reaches (79.6%) for the same lifespan as the receivables. By applying the same percentage (100%) to the accounts receivable, this resulted in a recommendation to add a provision of (10,558) million Saudi riyals
5	Additional provision reflecting the possibility of VAT and zakat claims	(7,926,000)	As a result of the tax audit, the financial due diligence consultant appointed by Enaya recommended that an additional provision reflecting a possibility of additional tax and zakat claims, that may be imposed by the Zakat, Tax and Customs Authority, shall be formed.
6	Additional provision reflecting the VAT paid by Amana and uncollected from customers	(4,727,000)	The financial due diligence consultant appointed by Enaya has determined the total payments representing the due VAT unpaid by insurance policy holders (Amana's clients) (from 2018G to 2019G). Where Amana supplied and paid all VAT-related payments to the Zakat, Tax and Customs Authority, but Amana could not able to collect such payments from insurance policy holders. Amana has not formed any provision for such payments against the possibility of its inability to collect them, as Amana believes that it is able to recover such payments from the Zakat, Tax and Customs Authority as a deduction for bad debts. The financial due diligence consultant appointed by Enaya believes that Amana's equity book value (as at September 2020G) shall be reduced by all such payments due to the difficulty of collecting them from customers or obtaining the approval of the Zakat, Tax and Customs Authority to deduct them as bad debts.
7	Provisions for receivables regarding legal expenses.	(240,000)	The financial due diligence consultant appointed by Enaya recommended that a provision shall be formed against debit payments estimated at (240) thousand Saudi riyals as associated with collectable debit balances related to legal expenses incurred by Amana. As such balance has not been changed, then the recommendation is to form an additional provision for it.
8	Differences of Technical Provisions	(15,626,000)	. The due diligence actuary appointed by Enaya noted that Amana keeps technical provisions less than they should be as estimated by the due diligence actuary, with regard to the provision for deferred insurance policy acquisition costs and the provision for unearned reinsurance commissions, due to the different methods used in calculation by both companies.
Total proposed adjustments to Amana's equity book value as at 30 September 2020G			**(SAR 62,171,000)**
value of adjustments to Enaya's equity book value as agreed thereupon by Amana and Enaya			**(SAR 33,362,000)**

Source: Professional Due Diligence Reports

The conclusions of the professional care reports were technically and operationally discussed by both companies, and it is agreed that Amana's equity book value shall be adjusted by reducing it with the amounts described above in Table No. (15). The reasons, for which Amana's equity book value is not adjusted by the full value of the adjustments proposed by professional due diligence consultant, are attributable to certain matters, the most important of which is the difference in methodologies or assumptions used by each company in calculating certain technical or other provisions.

Table No. (16): Swap Ratio Calculation Method

Item	Note
Valuation of the Merging Company "after the Merger transaction"	Valuation of Amana + Valuation of Enaya
Percentage of Amana's ownership of the Merging Company "after the Merger transaction"	$\frac{\text{Valuation of Amana}}{\text{Valuation of the Merging Company "after the Merger transaction"}}$
Percentage of Enaya's ownership of the Merging Company "after the Merger transaction"	$\frac{\text{Valuation of Enaya}}{\text{Valuation of the Merging Company "after the Merger transaction"}}$
Number of new shares issued for Amana's existing shareholders after the Merger transaction	As before the capital increase, thirteen million (13,000,000) ordinary shares.
Number of new shares issued for Enaya' shareholders	$\frac{\text{Number of shares of Amana's shareholders after the Merger transaction}}{\text{Percentage of Amana's ownership of the Merging Company after the Merger transaction}}$ - Number of shares of Amana's existing shareholders after the Merger transaction
Swap ratio per each share owned in Enaya	$\frac{\text{Number of shares to be issued for Enaya's shareholders for the purpose of the Merger}}{\text{Number of Enaya's shares for the purpose of Merger}}$

Based on the above swap ratio, Amana will increase its capital and shall issue fifteen million eight hundred fifty-eight thousand twenty-four (15,858,024) ordinary shares with a nominal value of (10) ten Saudi riyals per share for Enaya's shareholders. Based on the swap ratio and the closing price of Amana's share of (64.38) Saudi riyals as at 28/04/2021G, which is the last trading day prior to the date on which the Merger agreement is entered into, the total market value of new shares is one billion twenty million and nine hundred thirty-nine thousand five hundred and eighty-five (1,020,939,585) Saudi riyals. The total market value of new shares to be reflected in the financial statements of Amana shall be later determined based on the closing price of Amana's shares on the last trading day preceding the effective date of the Merger resolution.

Table No. (17): below is the compensation value subject to the share price of Amana as compared with the market value of Enaya

Number of shares to be issued for shareholders of Enaya (Compensation Shares)	15,858,024 ordinary shares
Total value of compensation subject to the closing price of Amana as at 28/04/2021G, the last trading day preceding the date on which the Merger agreement is executed	(1,020,939,585) Saudi riyals, noting that the closing price of Amana is (64.38) Saudi riyals.
Market value of Enaya as at 28/04/2021G, the last trading day preceding the date on which the Merger agreement is executed	(609,000,000) Saudi riyals, noting that the closing price of Enaya is (40.60) Saudi riyals, and the number of shares issued for the Company is fifteen million (15,000,000) ordinary shares.
Percentage of the difference between the market value of Enaya and the total compensation of Merger as at 28/04/2021G, the last trading day preceding the date on which the Merger agreement is executed	An increase of 67.64% of the total value of compensation for Enaya's shareholders, subject to the closing price of Amana as at 04/28/2021G, compared to the market value of Enaya as at 04/28/2021G.

4.5 Valuation by Alinma Investment Company to Amana and Enaya

Alinma Investment Company (in the capacity thereof as the financial advisor to Amana in respect of the Merger transaction) has valued both Amana and Enaya, using the adjusted equity book value method of the results of professional due diligence (financial, legal and actuarial) audit based on the financial statements of both companies as at 30 September 2020G, (The date agreed upon by both companies pursuant to the memorandum of understanding signed on 15November 2020G, and the Merger agreement signed on 29 April 2021G).

In addition to the above approved valuation methodology, Alinma Investment company used other methodologies to value Amana and Enaya, the following is taken into consideration:

- The equity book value of Amana and Enaya as at 31 December 2020G.
- The equity book value of Amana and Enaya as at 30 September 2020G.
- The equity market value of both companies using the volume-weighted average prices of both companies (VWAP) for the last year preceding the signing of the Merger agreement as signed on 29/04/2021G.

It is worthy noted that both companies have been valuated without considering any financial, legal, tax and actuarial due diligence adjustments, as the adjustments resulting from due diligence audit are negotiated commercially and technically by both companies.

In order to reach the value of both companies, relative weights have been determined for each methodology described hereinbefore, as follows:

Table No. (18): Relative weights for each valuation methodology used

Methodology	Relative Weights
Equity book value of Amana and Enaya as at 31 December 2020G	60%
Equity book value of Amana and Enaya as 30 September 2020G	20%
The equity market value of both companies using the volume-weighted average prices of both companies (VWAP) for the last year preceding the signing of the Merger agreement	20%

The following table also details the estimated value of both companies using the above methodologies:

Table No. (19): Summary of valuation using other valuation methodologies to evaluate both Amana and Enaya

	Amana	Enaya	weighted value of Amana using each methodology	weighted value of Enaya using each methodology	Estimated Value of Amana	Estimated Value of Enaya
Equity book value of Amana and Enaya as at 31 December 2020G	92,239,000	121,735,000	55,343,400	73,041,000	234,217,960	196,351,302
Equity book value of Amana and Enaya as 30 September 2020G	133,654,000	125,441,000	26,730,800	25,088,200		
The equity market value of both companies using the volume-weighted average prices of both companies (VWAP) for the last year preceding the signing of the Merger agreement	760,718,798	491,110,511	152,143,760	98,222,102		

Source: Financial Statements of both companies, Tadawul, Analysis by Alinma Investment Company

The difference, between the results of other valuation methodologies (as shown in Table No. (19) described above) for both Amana and Enaya as compared to the valuation agreed-upon by the Merger agreement, is due to the significant change in the share price of both companies, especially the share price of Amana during the twelve months preceding the signing of the Merger agreement.

By comparing each Company's weighted average share price of the trading volumes for the last twelve months preceding the signing of the Merger agreement, with the closing share price of each Company at the end of the trading day (28/04/2020G) (such date is a full year before the date on which the Merger agreement is signed), it is found that the share price of Amana is increased by 184%, while the increase in the share price of Enaya is 73%.

Subject to the other valuation methodologies as shown in Table No. (19) above, the ownership percentage of Enaya's shareholders in the Merging company shall be (53%) of the Merging Company, while the ownership percentage of Amana's shareholders shall be (47%) of the Merging Company after the completion of the Merger transaction.

If the effect of the significant difference of the change in the share prices of both companies (assuming that the increase percentage of the share prices of both companies have not exceed 73% (which is an increase percentage for Enaya's share price) as it is least increase in the share price of both companies) is taken into account during the above periods, the ownership of Enaya's shareholders in the Merging Company shall be (53%), while the ownership of Amana's shareholders shall be (47%) in the Merging company after the completion of the Merger transaction,

which is a relatively close to the ownership ratios agreed upon under the Merger agreement as shown in Table No. (12) "Valuation of Enaya and Amana". Accordingly, Alinma Investment Company considers that the swap ratio agreed upon by both companies under the Merger agreement is, on a financial basis, fair to Amana.

Also, Alinma Investment Company (in the capacity thereof as the financial advisor to Amana Company in respect of the Merger transaction) submitted its opinion on 17/09/1442H (corresponding to 29/04/2021G), to Amana's Board of Directors. Such opinion states that, on the date of submitting thereof and subject to the ratios and assumptions described therein, Alinma Investment Company considers that the swap ratio agreed upon by both companies and set out in the Merger agreement is, on a financial basis, a fair ratio to Amana. A copy of such opinion submitted by Alinma Investment Company to Amana's Board of Directors on 17/09/1442H (corresponding to 29/04/2021G) has been enclosed as an annex to this circular (Annex No. 3), where the assumptions, procedures and restrictions on which the Alinma Investment Company relied to issue this opinion are described.

It is worthy noted that Alinma Investment Company has provided consulting services to Amana, and has also submitted its opinion on the fairness of the Swap ratio to Amana's Board of Directors for the purpose of assisting Amana's Directors during the phase of studying the Merger transaction. Accordingly, the opinion submitted by Alinma Investment Company is not a recommendation to Amana's shareholders to vote in a certain manner regarding the resolution to be presented to Amana's Extraordinary General Assembly to vote on the Merger transaction or otherwise, understating that the Merger transaction is subject to the conditions set forth by the Merger agreement (please refer to Subsection (6.5) "**Material pre-conditions or covenants contained in the Merger Agreement**" of Section (6) "**Legal information**")

4.6 Details of relevant parties having a direct or indirect interest in the Merger

This transaction does not involve any relevant parties.

4.7 Structure of Ownership Before and After Capital Increase

Table No. (20): Amana's ownership Structure before and after completion of Merger transaction

Shareholder	Before completion of Merger Transaction		After completion of Merger Transaction	
	No. of Shares	% of ownership	No. of Shares	% of ownership
Amana Gulf Insurance Company BSC	1,772,975	13.64%	1,772,975	6.14%
Munich Re	N/A		2,378,704	8.24%
National Health Insurance Company (Daman)	N/A		1,585,802	5.50%
The Public	11,227,025	86.36%	23,120,543	80.12%
Total	**13,000,000**	**100%**	**28,858,024**	**100%**

Source: Amana, Enaya and Tadawul

4.8 Pro Forma Financial Statements of Amana after Merger

The following pro forma consolidated financial information and their explanatory notes as prepared by Amana with the assistance of a pro forma financial statement advisor (Baker Tilly MKM & Co. - Chartered Accountants) discuss the clarification of the material effects of the Merger between Amana and Enaya on the consolidated historical consolidated statement of financial position and the historical statement of income dated 31 December 2020G, assuming that the proposed Merger had already occurred on 01 January 2020G, subject to the structure that would result in the Merger, with mutatis mutandis amendments, in accordance with the explanatory notes enclosed to the pro forma financial information. The pro forma financial information is submitted based on certain hypothetical assumptions and has been prepared for clarification purposes only. Because of their nature, the pro forma statement of financial position and the pro forma statement of income shall address a pro forma situation. Therefore, they do not represent or give a true form of the financial position and financial performance of Amana at the completion of the Merger transaction. Furthermore, the pro forma financial information is only meaningful when they are read with the historical financial statements of Amana and Enaya for the fiscal year ended at 31 December 2020G. Below is a summary of the Pro Forma Consolidated Financial Statements:

4.8.1 The Pro Forma Statement of Financial Position of the Merging company as at 31 December 2019G (unaudited).

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Pro forma Statement of Financial Position (unaudited)
As at 31 December 2020G

	(in SAR Thousand)
	(Note 3)
Assets	
Cash and cash Equivalent	249,209
Short-term deposits	80,068
Insurance premiums and reinsurer receivable, net	178,514
Reinsurers' share out of unearned premiums	2,056
Reinsurers' share of unpaid claims	11,882
Reinsurers' share of incurred, but not reported, claims	2,701
Deferred subscription costs	14,240
Investments	130,293
Advance expenses and other assets	28,291
Good will	965,875
property and equipment	8,149
Right to use assets	2,743
intangible assets	1,982
statutory deposits	58,500
Returns due on statutory deposits	7,253
Total Assets	**1,741,756**
Liabilities	
Accrued expenses and other liabilities	109,106
Reinsurers' payables	22,550
Unearned insurance premiums	208,604
Unearned reinsurance commission	456
Unpaid Claims	74,968
Incurred, but not reported, claims	71,122
Insurance premiums deficiency reserve	30,257
Other technical reserves	5,121
Lease obligations	2,218
Policyholders' payable claims	1,284
Provision for end of severance pay	9,516
Zakat and income tax	18,673
Due surplus distributions	779
Commission proceeds due to the Saudi Central Bank	7,253
Total Liabilities	**561,907**
Equity	
capital	288,580
Issuance premium	929,030
Accrued losses	(37,503)
End of severance benefit remeasurement reserve related to insurance operations	(1,743)
Investment fair value reserve	1,485
Total Equity	**1,179,849**
Total Liabilities and Equity	**1,741,756**

4.8.2 The Pro Forma Statement of income of the Merging company as at 31 December 2019G (unaudited).

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Pro forma Statement of Income (unaudited)
As at 31 December 2020G

	(in SAR Thousand)
	(Note 3)
Revenues	
Gross underwritten Premiums	495,393
Assigned reinsurance premiums	(5,361)
Excess loss expense	(44,637)
net underwritten premiums	**445,395**
Change in total unearned premiums	(31,773)
Change in reinsurers' share of total unearned premiums	(2,810)
net earned premiums	**410,812**
Reinsurance commission	1,992
Other underwriting income	10,786
Net revenue	**423,590**
Underwriting costs and expenses	
Total Paid Claims	(360,262)
Reinsurers' share out of paid claims	28,732
Net claims and other benefits paid	**(331,530)**
Change in total unpaid claims	(2,978)
Change in reinsurers' share out of unpaid claims	(3,878)
Change in incurred but not reported claims	(24,367)
Change in reinsurers' share out of incurred but not reported claims	(1,048)
Net incurred claims	(363,801)
Insurance policies acquisition costs	(30,757)
Insurance premium deficiency reserve	2,498
Other technical reserves	7,279
Other underwriting expenses	(19,529)
Total underwriting costs and expenses, net	**(404,310)**
Net underwriting income	19,280
Other operating expenses	
provision for bad debts	(23,361)
General and administrative expenses	(101,625)
Investment income and commissions	10,827
Realized profits from sale of available-for-sale investments	2,223
Unrealized profits from investments	186
Dividend	108
Amortization, net	159
Other revenues	3,019
Total other operating expenses, net	**(108,464)**
Total loss for the year before surplus attributable to zakat and income tax	**(89,184)**
Surplus attributable to insurance operations	-
Total loss for the year before zakat and income tax	(89,184)
Zakat expenses	(1,066)
Total loss for the year attributable to shareholders	(90,250)
Weighted average of existing share number (in thousand)	28,858
Loss per share (in SAR per share)	
Basic loss per share	(3,13)
Reduced loss per share	(3,13)

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Pro forma Statement of Comprehensive Income (unaudited)
As at 31 December 2020G

	(in SAR Thousand)
	(Note 3)
Total loss for the year attributable to shareholders	(90,250)
(Other comprehensive loss) Other comprehensive income:	
Items may be reclassified to the statement of income in subsequent years:	
Net change in fair value of available-for-sale investments	648
Transfer from fair value reserve to income for the year	(2,223)
	(1,575)
Items will not be reclassified to the statement of income in subsequent years:	
Actuarial loss on end of service benefits	784
Total comprehensive loss for the year after zakat and income tax	**(91,041)**
Items will not be reclassified to the statement of income in subsequent years:	
Actuarial loss on end of service benefits	(1,204)
Total comprehensive loss for the year attributable to insurance operations	(1,204)
Total comprehensive loss for the year attributable to shareholders after zakat and income tax	**(92,245)**
Weighted average of existing share number (in thousand shares) (Note 3a)	**28,858**
Loss per share (in SAR per share)	
Basic loss per share	(3.20)
Reduced loss per share	(3.20)
Total loss for the year before zakat and income tax	(89,184)
Zakat expenses	(1,066)
Total loss for the year attributable to shareholders	**(90,250)**
Weighted average of existing share number (in thousand)	**28,858**
Loss per share (in SAR per share)	
Basic loss per share	(3,13)
Reduced loss per share	(3,13)

4.8.3 Explanatory Notes to the Pro Forma Consolidated Financial Information

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

1- About the Company

Amana Cooperative Insurance

Amana Cooperative Insurance ("Amana" or the "Merging Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree No. M/35, dated 03 Jumada Al-Thani 1431H (corresponding to 17 May 2010G). The Merging Company has Commercial Register No. 1010288711 dated 10 Jumada Al-Thani 1431H (corresponding to 24 May 2010G). The address of the Company's registered office is located at Salah Al-Din Al-Ayoubi St., PO Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The purposes of the Merging Company are to engage in insurance business in accordance with the articles of association and the applicable laws of the Kingdom of Saudi Arabia.

On 31 July 2003G, (corresponding to 02 Jumada Al-Thani 1424H), the Cooperative Insurance Companies Control Law (the "Insurance Law") was issued pursuant to Royal Decree No. (M/32). During March 2008G, the Saudi Central Bank ("SAMA"), as the main authority in charge of implementation and management of the Insurance Law and the Executive Regulations thereof, granted a license to the Company to carry-out insurance activities within the Kingdom of Saudi Arabia.

The amendment to the Articles of Association of Amana, to comply with the new Companies Law – as issued by Royal Decree No. M/3 dated 28/01/1437H, is approved at the Extraordinary General Assembly meeting held on 23 Ramadan 1438H corresponding to 18 June 2017G.

Saudi Enaya Cooperative Insurance Company

Saudi Enaya Cooperative Insurance Company ("Enaya" or the "Merged Company") is a Saudi joint stock company established in Jeddah, Kingdom of Saudi Arabia by Royal Decree No. (98/S) dated 16 Rabi' al-Awwal 1433H (corresponding to 08 February 2012G). The Merged Company has Commercial Registration No. 4030223528 dated 27 Rabi' Al-Awwal 1433H (corresponding to 19 February 2012G). The address of the Enaya Company's registered head office is located at Prince Sultan St., Al Rawda District, PO Box 3528, Jeddah 23435, Kingdom of Saudi Arabia.

The main activities of the Merged Company are to engage in cooperative insurance business and activities related thereto in accordance with the Company's articles of association and the applicable laws of the Kingdom of Saudi Arabia, the Company is licensed to subscribe to medical insurances only.

On 27 Rajab 1432H (corresponding to 29 June 2011G), Royal Decree No. (M/49) was issued in regard of the Cooperative Insurance Companies Control Law (the "Insurance Law"). On 27 February 2012G, the Saudi Central Bank ("SAMA"), as the main authority in charge of implementation and management of the Insurance Law and the Executive Regulations thereof, granted a license to the Company to carry-out insurance activities within the Kingdom of Saudi Arabia.

Potential Merger between Amana and Enaya

On 29 Rabi' Al-Awwal 1442H (corresponding to 15 November 2020G), Amana signed a non-binding Memorandum of Understanding with Enaya to assess the feasibility of Merging both Companies.

In addition to the aforementioned Memorandum of Understanding, on 29 April 2021G, (corresponding to 17 Ramadan 1442H), Both parties signed a binding Merger Agreement (the "Merger Agreement"), whereby Enaya will merge with Amana and all of Enaya's assets and liabilities will be transferred to Amana in accordance with the Companies Law issued by the Ministry of Commerce and the regulations of the Capital Market Authority, including the Merger and Acquisition Regulations and the Rules for Offering Securities and Continuing Obligations, as well as the listing rules issued by the Saudi Tadawul Company ("Tadawul"), and the relevant laws issued by the Saudi Central Bank ("Sama").

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

2- Basis for Preparation and presentation of Pro Forma Financial Information

This pro forma financial information and the enclosed explanatory notes describe the effects on the statement of financial position and the statement of income of the potential Merger (the "Merger") between Amana and Enaya as if it had occurred on 01 January 2020G.

On 08 December 2020G, Amana announced a recommendation submitted by the Board of Directors at its meeting held on 07 December 2020G to invite the Extraordinary General Assembly in order to reduce Amana's capital from 24 million shares to 13 million shares, i.e. a reduction of 45,833% to restructure Amana's capital in order to write-off a part of the accrued losses amounting to 110,000,000 Saudi riyals. On 25 January 2021G, Amana received the Saudi Central Bank's letter No. 42039348 on the approval of the proposed reduction in the Company's capital. As at the date of this Pro Forma Financial Information, the proposed capital reduction was not approved by the Extraordinary General Assembly meeting scheduled to be held on 23 May 2021G. For the purpose of preparing such Pro Forma Financial Information, Amana's capital has been amended to reflect the foregoing decrease in the capital.

The Pro Forma Financial Information is based on the audited historical financial statements of Amana and Enaya as at 31 December 2020G (hereinafter "jointly" referred to as the "Merging Company") as amended to reflect the effects of the Merger and the above proposed reduction in Amana's capital.

The Merger will be made by issuing 15,858,024 shares at a value of 10 Saudi riyals by Amana to the shareholders of Enaya, with a share swap ratio of 1,0572016 of the ordinary shares in the Amana per ordinary share in the Enaya.

The Merging Company's Pro Forma Financial Information is submitted based on certain hypothetical assumptions and has been prepared for clarification purposes only. Because of their nature, the Pro Forma Statement of Financial Position and the Pro Forma Statement of Income treat a hypothetical case. Therefore, they do not represent or give a true form of the financial position and financial performance of the Merging Company. Moreover, the Pro Forma Financial Information is only meaningful when they are read with the historical financial statements of Amana and Enaya for the fiscal year ended at 31 December 2020G. The Pro Forma Financial Information does not take into account the effects of the synergies or the expected costs incurred to achieve such synergy as a result of the Merger.

The pro forma financial information has been prepared and presented on the basis of the accounting policies of Amana as disclosed in its audited financial statements for the year ended 31 December 2020G. The accounting policies used by Amana, as described in its audited financial statements for the year ended 31 December 2020G, are not materially different from those used by Enaya.

3- Pro forma Amendments

Pro forma Amendments are based on initial changeable estimates and assumptions.

A) Registration of issuance of Amana's shares to the shareholders of Enaya:

For the purposes of pro forma financial information, the Merger consideration has been calculated based on a share swap ratio of 1,0572016 ordinary shares in Amana against one ordinary share in Enaya, as shown below:

Number of existing shares of Enaya	15,000,000
Swap ratio (Note 3d)	1,0572016
Number of shares to be issued by Amana	15,858,024

	(In SAR Thousand)
Nominal value of the shares issued by Amana to Enaya (10 Saudi riyals / share)	158,580
The amended existing capital of Amana (Note 2)	130,000
Total Amana's capital after the Merger	288,580

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

3- Pro Forma Amendments (continued)

b) Registration of the Amana's share premium will be issued upon Merger:

The purchase consideration has been calculated based on the closing price of Amana at 68.58 Saudi riyals per share in Tadawul, the Kingdom of Saudi Arabia, dated 31 December 2020G, as amended to reflect the effect of the proposed reduction of Amana's capital on the share price. The purchase consideration is indicative and will be adjusted to reflect the market price of Amana shares on the date of the Merger.

	(in SAR)
Market price as at 31 December 2020G (1b)	37,15
Capital Reduction Factor (2b)	45,833%
Amended market price as at 31 December 2020G (1b / (1-2b))	**68,58**

	(in SAR Thousand)
Total consideration (15,858,024 shares, with 68.58 SAR/share)	1,087,610
Less: Nominal value of shares to be issued by Amana to the shareholders of Enaya	(158,580)
Issue premium	**929,030**

c) Goodwill is registered as the excess of total consideration over Enaya's net assets as at 31 December 2020G.

	(in SAR Thousand)
Total Consideration of Enaya's Equity (1c)	1,087,610
Enaya's total net assets as at 31 December 2020G (2c)	(121,735)
Goodwill (2c - 1c)	**965,875**

d) Swap ratio subject to Merger Agreement:

Subject to the memorandum of understanding, the swap ratio proposed by Amana has been calculated on the basis of the net book value of the shares attributable to the shareholders of both the Merging Company and the Merged Company as at 30 September 2020G, after reflecting the amendments resulting from due diligence on both companies and the subsequent decrease in the capital of the Merging Company (note 2).

	Amana	Enaya
	(in SAR Thousand)	
Total equity attributable to shareholders as at 30 September 2020G	133,654	125,441
Agreed Due Diligence Amendments (in SAR Thousand - Unaudited)	(33,362)	(3,100)
Adjusted total equity attributable to shareholders (in thousand Saudi riyals unaudited) (1d)	100,292	122,341
Number of existing shares (thousand shares) (D2)	13,000	15,000
Adjusted book value per share (SAR) (1d/2d)	7,71	8,16
Swap ratio (number of ordinary shares of Amana against one ordinary share of Enaya)		**1,0572016**

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

3- Pro Forma Amendments (continued)

e) Pro Forma Statement of Financial Position (unaudited)

	Note	Amana (the "Merging Company")	Enaya (the "Merged Company")	Pro Forma	Pro Forma
		(Historical audit)		Amendments	(unaudited)
		(in SAR Thousand)			
Assets					
Cash and cash Equivalent		133,983	115,226	-	249,209
Short-term deposits		40,000	40,068	-	80,068
Insurance premiums and reinsurer receivable, net		129,207	49,307	-	178,514
Reinsurers' share out of unearned premiums		2,056	-	-	2,056
Reinsurers' share of unpaid claims		11,763	119	-	11,882
Reinsurers' share of incurred, but not reported, claims		2,701	-	-	2,701
Deferred subscription costs		11,010	3,230	-	14,240
Investments		61,917	68,376	-	130,293
Advance expenses and other assets		21,511	6,780	-	28,291
Good will	3C	-	-	965,875	965,875
property and equipment		5,976	2,173	-	8,149
Right to use assets		-	2,743	-	2,743
intangible assets		900	1,082	-	1,982
statutory deposits		36,000	22,500	-	58,500
Returns due on statutory deposits		2,876	4,377	-	7,253
Total Assets		**459,900**	**315,981**	**965,875**	**1,741,756**
Liabilities					
Accrued expenses and other liabilities		73,081	36,025	-	109,106
Reinsurers' payables		22,550	-	-	22,550
Unearned insurance premiums		141,100	67,504	-	208,604
Unearned reinsurance commission		456	-	-	456
Unpaid Claims		35,661	39,307	-	74,968
Incurred, but not reported, claims		58,148	12,974	-	71,122
Insurance premiums deficiency reserve		15,712	14,545	-	30,257
Other technical reserves		4,795	326	-	5,121
Lease obligations		-	2,218	-	2,218
Policyholders' payable claims		1,284	-	-	1,284
Provision for end of severance pay		4,546	4,970	-	9,516
Zakat and income tax		6,673	12,000	-	18,673
Due surplus distributions		779	-	-	779
Commission proceeds due to the Saudi Central Bank		2,876	4,377	-	7,253
Total Liabilities		**367,661**	**194,246**	**-**	**561,907**

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

3- Pro Forma Amendments (continued)

e) Pro Forma Statement of Financial Position (unaudited)

	Note	Amana (the "Merging Company")	Enaya (the "Merged Company")	Pro Forma	Pro Forma
		(Historical audit)		Amendments	(unaudited)
		(in SAR Thousand)			
Equity					
capital	3A	240,000	150,000	(101,420)	288,580
Issuance premium	3B	-	-	929,030	929,030
Accrued losses		(147,503)	(29,273)	139,273	(37,503)
End of severance benefit remeasurement reserve related to insurance operations		(1,743)	1,008	(1,008)	(1,743)
Investment fair value reserve		1,485	-	-	1,485
Total Equity		**92,239**	**121,735**	**965,875**	**1,179,849**
Total Liabilities and Equity		**459,900**	**315,981**	**965,875**	**1,741,756**

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
Explanatory Notes to the Pro Forma Consolidated Financial Information
As at 31 December 2020G

3- Pro Forma Amendments (continued)

f) Pro Forma Statement of Income

	Amana (the "Merging Company")	Enaya (the "Merged Company")	Pro Forma Amendments	Pro Forma
	(Historical audit)			(unaudited)
	(in SAR Thousand)			
Revenues				
Gross underwritten Premiums	**329,519**	**165,874**	**-**	**495,393**
Assigned reinsurance premiums	(5,361)	-	-	(5,361)
Excess loss expense	(44,637)	-	-	(44,637)
net underwritten premiums	**279,521**	**165,874**	**-**	**445,395**
Change in total unearned premiums	(40,189)	8,416	-	(31,773)
Change in reinsurers' share of total unearned premiums	(2,810)	-	-	(2,810)
net earned premiums	**236,522**	**174,290**	**-**	**410,812**
Reinsurance commission	1,992	-	-	1,992
Other underwriting income	10,786	-	-	10,786
Net revenue	**249,300**	**174,290**	**-**	**423,590**
Underwriting costs and expenses				
Total Paid Claims	(220,510)	(139,752)	-	(360,262)
Reinsurers' share out of paid claims	27,736	996	-	28,732
Net claims and other benefits paid	**(192,774)**	**(138,756)**	**-**	**(331,530)**
Change in total unpaid claims	15,813	(18,791)	-	(2,978)
Change in reinsurers' share out of unpaid claims	(3,878)	-	-	(3,878)
Change in incurred but not reported claims	(29,792)	5,425	-	(24,367)
Change in reinsurers' share out of incurred but not reported claims	(1,048)	-	-	(1,048)
Net incurred claims	**(211,679)**	**(152,122)**	**-**	**(363,801)**
Insurance policies acquisition costs	(24,841)	(5,916)	-	(30,757)
Insurance premium deficiency reserve	(292)	2,790	-	2,498
Other technical reserves	6,145	1,134	-	7,279
Other underwriting expenses	(16,214)	(3,315)	-	(19,529)
Total underwriting costs and expenses, net	**(246,881)**	**(157,429)**	**-**	**(404,310)**
Net underwriting income	**2,419**	**16,861**	**-**	**19,280**

Amana Cooperative Insurance
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Explanatory Notes to the Pro Forma Consolidated Financial Information
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3- Pro Forma Amendments (continued)

f) Pro Forma Statement of Income (unaudited) (continued)

	Note	Amana (the "Merging Company")	Enaya (the "Merged Company")	Pro Forma	Pro Forma
		(Historical audit)		Amendments	(unaudited)
		(in SAR Thousand)			
Other expenses					
Provision for bad debts		(23,180)	(181)	-	(23,361)
General and administrative expenses		(45,808)	(55,817)	-	(101,625)
Investment income and commissions		6,311	4,516	-	10,827
Realized profits from sale of available-for-sale investments		2,223	-	-	2,223
Unrealized profits from investments		-	186	-	186
Dividend		-	108	-	108
Amortization, net		-	159	-	159
Other revenues		762	2,257	-	3,019
Total other expenses, net		**(59,692)**	**(48,772)**	**-**	**(108,464)**
Total loss for the year before surplus attributable to zakat and income tax		**(57,273)**	**(31,911)**	**-**	**(89,184)**
Zakat and income tax expenses		(4,564)	3,498	-	(1,066)
Total loss for the year attributable to shareholders		**(61,837)**	**(28,413)**	**-**	**(90,250)**
Weighted average of existing share number (in thousand shares)	**3A**	**24,000**	**15,000**	**(10,142)**	**28,858**
Loss per share (in SAR per share)					
Basic loss per share		(2,58)	(1,89)	1,34	(3,13)
Reduced loss per share		(2,58)	(1,89)	1,34	(3,13)

Amana Cooperative Insurance
(a Saudi Joint-Stock Company)
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As at 31 December 2020G

3- Pro Forma Amendments (continued)

f) Pro Forma Statement of Income (unaudited) (continued)

	Amana (the "Merging Company")	Enaya (the "Merged Company")	Pro Forma	Pro Forma
	(Historical audit)		Amendments	(unaudited)
	(in SAR Thousand)			
Total loss for the year attributable to shareholders	(61,837)	(28,413)	-	(90,250)
(Other comprehensive loss) Other comprehensive income:				
Items may be reclassified to the statement of income in subsequent years:				
Net change in fair value of available-for-sale investments	648	-	-	648
Transfer from fair value reserve to income for the year	(2,223)	-	-	(2,223)
	(1,575)	**-**	**-**	**(1,575)**
Items will not be reclassified to the statement of income in subsequent years:				
Actuarial loss on end of service benefits	-	784	-	784
Total comprehensive loss for the year after zakat and income tax	**(63,412)**	**(27,629)**	**-**	**(91,041)**
Items will not be reclassified to the statement of income in subsequent years:				
Actuarial loss on end of service benefits	**(1,204)**	**-**	**-**	**(1,204)**
Total comprehensive loss for the year attributable to insurance operations	**(1,204)**	**-**	**-**	**(1,204)**
Total comprehensive loss for the year attributable to shareholders after zakat and income tax	**(64,616)**	**(27,629)**	**-**	**(92,245)**
Weighted average of existing share number (in thousand shares) (Note 3a)	24,000	15,000	(10,142)	28,858
Loss per share (in SAR per share)				
Basic loss per share	(2.69)	(1.84)	1.34	(3.20)
Reduced loss per share	(2.69)	(1.84)	1.34	(3.20)

4.8.4 Comparison of Amana's KPIs subject to the Pro Forma Consolidated Financial Statements against Amana's Financial Statements

Table No. (21): Performance indicators subject to the Pro Forma Consolidated Financial Statements

(In SAR Thousand)	Amana (31 December 2020G)	Pro Forma Consolidated Financial Statements (31 December 2020G)
Revenue growth rate (based on 2019G revenues of Amana)	23.38%	109.6%
Total underwritten Premiums (in SAR Thousand)	329,519	495,393
Total assets (in SAR Thousand)	459,900	1,741,756
Total equity (in SAR Thousand)	92,239	1,179,849
Retention rate (net underwritten premiums/gross underwritten premiums)	84.8%	89.9%
Loss rate (net incurred claims / net earned premiums)	(89.5%)	(88.6%)
Profit Margin (Net Income / Gross Underwritten PREMIUM)	(18.8%)	(18.2%)
Return on shareholders' Equity (Net Income/Total Equity)	(67.0%)	(7.6%)

Increase or decrease in profits per share as a result of the Merger

The following table shows profit per share / (loss per share) for both Amana and Enaya before the Merger and the pro forma profit per share / (loss per share) after the Merger (based on the Pro Forma Financial Statements as if the Merger took place in 2020G fiscal year).

Table No. (22): Profit per share / (loss per share) for both companies before the Merger and the pro forma consolidated Statements of 2020G

	2020G Amana	2020G Enaya	2020G Pro Forma Consolidated Statements
Profit per share / (loss per share) (SAR)	(2.58)	(1.89)	(3.13)

4.9 Performance of Amana's Share Price

The following table shows the performance of the Amana's share at the end of the closing of each Gregorian month during the twelve months preceding the date on which Amana's request is submitted to register and offer shares to increase the capital for the purpose of Merging with Enaya:

Table No. (23): Performance of Amana's Share during the Twelve Months Preceding the date of Capital Increase Request

Date	Closing price of Amana's share (SAR)
30/11/2020G	68.44
31/12/2020G	68.53
31/01/2021G	73.88
28/02/2021G	71.85
31/03/2021G	71.30
29/04/2021G	64.19
31/05/2021G	62.70
30/06/2021G	61.70
29/07/2021G	59.90
31/08/2021G	54.20
30/09/2021G	50.50
31/10/2021G	48.00

Source: Tadawul

5. Financial Information and Management Discussion and Analysis

5.1 Introduction

The following discussion and analysis of the financial position and operations results is based on the audited financial statements for the years ended 31 December 2018G, 2019G and 2020G and such notes attached thereto relating to Enaya. The financial statements for the years ended 31 December 2018G, 2019G and 2020G have been audited by Ibrahim Ahmad Al Bassam & Co. - Chartered Accountants and Al Azem, Al Sudairy, Al Shaikh & Partners CPAs.

The financial statements for the years ended 31 December 2018G, 2019G and 2020G have been prepared according to the financial standards as endorsed in the Kingdom of Saudi Arabia and other standards and editions approved by Saudi Organization for Chartered and Professional Accountants.

Unless otherwise specified, all such financial information contained in this section has been displayed in SAR. The figures have been rounded to the nearest whole number. Therefore, if summed, the numbers may differ to those which are stated in the tables. It is worthy to mention that all annual growth rates, gain margins and costs have been calculated based upon such figures rounded up in the tables below.

5.2 Amana Cooperative Insurance Directors' Declarations on Financial Statements

The members of the Board of Directors of Amana Cooperative Insurance prepared a discussion and analysis of the financial position of Enaya do not accept any responsibility for the accuracy and completeness of Enaya information contained in this section and which relates to Enaya only. The information contained in this section has been obtained from publicly available information, including the Financial Statements of Enaya as well as information provided by Enaya which has an obligation under the Merger Agreement to provide Amana with all necessary information required for the purpose of preparing this Circular. Enaya has also provided a customary guaranty in favor of Amana, under the Merger Agreement (as generally recognized in such agreements) that all information provided to Amana during the course of the due diligence process is true and accurate in all material respects as at their submission date and not misleading in a material respect. Enaya also guaranteed, under the Merger Agreement, that they have not intentionally withheld any material information from Amana, with the exception of information which has been redacted at the knowledge of Amana from the due diligence materials due to its confidentiality, sensitivity, or legal or regulatory restrictions preventing its disclosure.

For the purpose of preparing this section, Amana assumed that the information contained in this section was obtained from the audited Financial Statements of Enaya without making any material changes to them and these statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and editions approved by Saudi Organization for Chartered and Professional Accountants.

Amana assumed that there is currently no intention to make any fundamental change in the nature of the activities of Amana and that operations were not interrupted in any way that could materially affect Enaya financial position during the twelve-month period preceding the date of this Circular.

5.3 Significant Accounting Policies

Significant accounting policies adopted by Enaya to prepare the financial statements are in compliance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and with those used in preparation of the annual financial statements of the year ended 31 December 2019G and IFRS new amendments and IFRIC as stated in the following note which had no impact on the financial position or financial performance of Enaya. Certain comparative figures have been reclassified/ re-categorized to in line with the current period proposal. This had not impact on temporal concentrated statement of changes in shareholders' equity for the period. In addition, Enaya revised main sources of unconfirmed assumptions and estimates disclosed in the financial reports of the previous year. Towards impacts of Covid-19 pandemic, Management is currently assessing the status and impose changes in future periods if required.

(A) IFRS and new interpretations of IFRIC as endorsed by Enaya

Enaya adopted the following new and amendments of existing standards issued by International Accounting Standards Board ("IASB").

Amendments of the conceptual framework references related to IFRS, update of recognition standards and definitions of assets and liabilities and clarification of certain important concepts.

Revised conceptual framework includes certain new concepts, updated definitions, recognition standards of assets and liabilities and clarification of certain important concepts.

Amendments to IFRS 3 - Definition of Business

Amendments clarify that in order to be considered as a business activity, at least an integrated number of activities and assets should be engaged including subjective process and input which jointly and clearly affect the ability to create an output. In addition, amendments clarify that the business activity may exist even without engagement of inputs and processes which give rise to outputs.

Amendments to International Accounting Standard ('IAS') 1 and IAS (8) on definition of materiality

Amendments provide a definition of materiality and explain that materiality depends on nature and scope of information whether it was separate or joined to other information in the context of financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Correction of interest rate measurement

Material revision and correction are currently underway with respect to the largest interest rate standards all over the world. International Accounting Standards conducts two-stage process to amend guidelines to help transformation from London interbank offered rate (LIBOR).

Amendments to IFRS 16 - Leases for COVID-19 rent related concessions

Amendments provide concessions to leases by way of applying such guidelines related to lease amendment in IFRS 16. Such amendment pays attention to concessions directly related to impacts of COVID-19 pandemic.

Adopting the above amendments carries no material impacts to the financial statements of this year.

(B) Accounting Standards issued but not yet effective

Standards issued but not yet effective up to issuance date of the financial statements are provided below. The list below forms issued standards and interpretations which Enaya expects to be applicable in a future date. Enaya intends to approve such standards when they become effective.

Standards/ Interpretation	Description	Actual effective date of such periods starting on or after the date below	Amendment summary
IFRS 9, 7, 4 and 16 and IAS 39 (see the text below).	Amendment of reference interest rate - Stage 2.	1 January 2021G.	These amendments affect hedge accounting requirements and this help them keep continuity of affected hedges during doubt period before hedge items are affected by amendments of current reference interest rate as a result of periodical amendment of reference interest rate index. These amendments also disclose as at new requirements of IFRS 7 related to hedge relationships which may be excluded from amendments to IFRS 9.
IAS 37	High risk contracts - contract performance costs	1 January 2022G.	These amendments determine that contract performance cost consists of such costs which directly related to the contract. These amendments apply to such contracts not performed by Enaya yet including all their requirements in the beginning of annual report period where such amendments apply during this period.
IFRS 16, 9, 4 and 1 and IAS 41	Annual Improvements of IFRS 2018G-2020G	1 January 2022G.	IFRS 16: Amendments are attached to indemnity clarification of lease improvements. IFRS 9: These amendments clarify that in case of applying "10%" test to assess appropriateness of financial obligations, an establishment joins costs paid or received only between it and lender. These amendments do not apply retrospectively but they are applied by an establishment to transfers to be made at the same application date by the establishment of amendments or post application. IAS 41: These amendments invalidates requirements of standard which imposes that an establishment to exclude tax cash flows at fair value calculation date. IFRS 1: These amendments provides additional facilities of the affiliate which adopts amendments for the first time at later date to the mother company in relation to accumulative translation difference accounting.

IFRS 17 - Insurance Contracts

Overview

Issued in 18 May 2017G, this standard determines principles of recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - "Insurance Contracts"

The new standard applies to issued insurance contracts and all reinsurance and investment contracts with optional engagement benefits provided that the establishment also issues insurance contracts. This standard requires separation of the following items from insurance contracts.

1- Implied derivatives in case of certain standards are achieved.
2- Unique investment items; and
3- Any promise to transfer certain goods or services not related to insurance.

Such items will be calculated independently according to relevant standards i.e. IFRS 9 and IFRS 15.

Measurement

Contrary to requirements of IFRS 4, which allows insured persons to continue their use of accounting policies for existing measurement purposes before January 2015G, IFRS 15 provides the following various measurement forms.

Measurement form of the year depends on the following "foundational categories":

a. Cash flows that should be fulfilled, consisting of:

- Potential average estimates of future cash flows:
- Amendment which reflects time value of money i.e. discount and financial risks associated with such future cash flows; and
- Amendment of risks related to non-financial risks.

b. Contractual service margin: Contractual service margin forms the non-achieved gain of insurance contracts group and are added when the establishment provide services in the future. Contractual service margin may not be reflected in minus in the beginning of the contract. Any shortage in the cash flows which should be met in the beginning of the contract within statement of income. At the end of each subsequent financial report period, book value of insurance contracts group will be re-measured to include:

- Remaining coverage obligation which consists of meeting such cash flows related to future services and contractual service margin of insurance contracts group in that date.
- Incurred claims obligation which will be measured as achieved cash flows relating to previous services allocated to insurance contracts group in that date.

Contractual service margin is amended later as per cash changes relating to future services but it may not be in minus. Consequently, changes to cash flows exceeding remaining contractual service margin in gain or loss. Interest rate also accumulates in contractual service margin in closed rates from initial recognition of contract (discount rates are used at first to determine current value of expected financial flows). In addition, contractual service margin will be included in gain or loss upon coverage units representing quantity of provided utilities and coverage expected during the remaining period of the group.

Variable fee method: it is an obligatory method to measure contracts with direct engagement benefits (to also be referred to as "direct engagement contracts" where such assessment is conducted to verify whether such contract meets such standards in the beginning of the contract and they will not be reassessed later. As to such contracts, contractual service margin is amended in addition to amendment in year form to include:

1- Changes to establishment share of fair value of essential items.

2- Changes to interim value of money and financial risks not related to essential items.

In addition, simplified installments distribution method is permitted to measure remaining cover obligation in case such method provides a measurement not materially different from year form or coverage period of each contract in insurance contracts group lasts for one year or less. In such manner, remaining cover obligation is aligned with received installment upon initial recognition less cash flows acquired from insurance. Year form remains applicable for measurement of incurred claims. However, an establishment should amend future cash flows of cash time value and impact of financial risks in case expected cash flows will be paid/ received within one year or less as of date of claims to be incurred.

Effective date

Enaya intends to adopt this standard on its actual date on 1 January 2023G. In May 2017G, IASB published the final version of IFRS 17 - insurance contracts. On 17 March 2020G, IASB initially decided to postpone IFRS 17 effective date for one year to reports preparation periods starting on or after 1 January 2023G. IASB also initially decided to permit qualified insurers to postpone the application of IFRS 9 for one more year after postponement. This means that they may be applied to both standards for the first time in reports periods starting on or after 1 January 2023G. In June 2020G, IASB amended IFRS 17 - insurance contracts. Amendments aim to help companies apply IFRS 17 and facilitate the explanation of their financial performance. IFRS 17 which includes amendments from annual reports periods starting on or after 1 January 2023G applies. Saudi Central Bank will give instruction related to design stage. Early application will be permitted in case IFRS 15 - Revenues of contract with clients and IFRS 9 - "Financial Instruments".

Transformation

Standard should be applied retrospectively. However, in case of unfeasible retrospective application of a group of insurance contracts, an establishment should then select application method retrospectively amended or fair value method.

Presentation and Disclosure

Enaya expects that this standard will lead to a change in accounting policies of insurance contracts including amendment of presentation and disclosure.

Impact

Enaya is currently in the design stage IFRS 17 application process which require development and design of new processes to insurance activity including any development to the system with respect to IFRS 17 and detailed assessment of any requirements related to Enaya. Essential points of design and progress plan in each stage to date are as follows:

Design Stage Milestones	Action Plan & Progress Summary
Governance and Control Framework	Enaya has developed a comprehensive governance program for IFRS 17, which includes the establishment of a supervisory steering committee to monitor progress in implementing and define the roles and responsibilities of various stakeholders.
Operations Entity	Enaya is currently in the design stage of operations score for design stage, which includes the development of a comprehensive data policy and data guide. Enaya is currently in the final stages of engineering design of various subsystems. Enaya made progress in the stage of evaluating business requirements and is currently working on appointing the supplier, while at the same time completing various operations that help transform and assess new resources.
Technical and Financial Entities	Enaya has completed various policies on a range of financial and technical matters after completion a specific policy under IFRS 17. Policy decisions are taken after due deliberation among stakeholders. Currently, most of the policies have been approved by the supervisory steering committee.
Daman Plan	Enaya liaise with stakeholders to put finishing touches of Daman Plan for transformation and post application periods.
Accounting Systems	Enaya is considering to acquire IFRS 17 calculation system to facilitate calculation process of insurance and reinsurers' contracts to achieve compliance with IFRS 17.
Financial Impact	The financial impacts of applying IFRS 17 have not yet been finalized.

IFRS 9 - Financial Instruments

Published on 24 July 2014G, this standard replaces IAS 39. The new standard addresses the following items related to financial statements:

IFRS 9 uses a single approach to determine the measurement of a financial asset at amortized cost, fair value through other comprehensive income, or fair value through gain or loss. A financial asset is measured at amortized cost if both of the following are met:

- Retention of an asset within a business model which purpose is to retain the asset to collect contractual cash flows; and
- Contractual terms of the financial asset generate cash flows in specified dates that are only considered as payments of principal and interest on existing principal amount.

A financial asset is measured at fair value through other comprehensive income. Generated gains and losses are rotated through gain or loss upon sale if the following two conditions are met:

- An asset is retained within a business model which purpose is to collect contractual cash flows and sell financial assets, and
- Contractual terms of cash flows in specified dates are payments of principal and are considered also as interest on existing principal amount.

Financial assets that do not meet the conditions of these categories are measured at fair value through gain or loss. In addition, and upon initial recognition, an entity may use the option to classify the financial asset at fair value through gain or loss if doing so would eliminate or materially reduce accounting differences. As to equity instruments that are not retained for trading, an establishment may also irrevocably choose to present subsequent changes to the fair value of those instruments within other comprehensive income. This includes generated gains and losses, while dividends are presented in gain or loss.

In addition, as to financial liabilities designated at fair value through gain or loss, amount of fair value change to the financial liability attributable to changes in the credit risk of that obligation is included in other comprehensive income, unless the inclusion of change effects in the credit risks of such obligation in other comprehensive income would result in an accounting inconsistency related to gain or loss.

Impairment

The impairment model reflects consistent to IFRS 9 expected credit losses, as if they were used in accordance with IAS 39 as incurred credit losses. In accordance with IFRS 9, it is not necessary for a credit event to have occurred before credit losses are included. Instead, the establishment accounts for expected credit losses and changes in such credit losses. Amount of expected credit losses is updated at the date of each financial reporting period to reflect changes in credit risk as from initial recognition.

Effective date

The effective date of IFRS 9 fell on 01 January 2018G. However, the amendments to IFRS 4 - Insurance Contracts were: Application of IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts, published on 12 September 2016G, allows such establishments which issue insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the new IFRS 17 "Insurance Contracts", issued by the IASB, comes into force and effect. The amendments offer the following two alternative options:

1- Application of a temporary exemption from application of IFRS 9 until:

a. Effective date of the new insurance standard; or

b. Annual financial reporting periods starting on or after 01 January 2023G. The IASB proposes to extend the temporary exemption of effective date of IFRS 17 and IFRS 9 in IFRS 4 to 01 January 2023G.

Additional disclosures relating to the financial assets are required during the postponement period. This option is only available to such establishments which activities are permanently associated with insurance and have not previously applied IFRS 9; or:

2- The application of IFRS 9, but for specific financial assets, effects of certain accounting inconsistencies which arise before the application of new insurance contracts standard is excluded from gain or loss. During the initial period, additional disclosures are required.

Enaya conducted a detailed evaluation at the outset of 01 January 2020G on:

1- Comparison of book value of Enaya's liabilities arising from contracts within the scope of IFRS 4 including deposits or (implied derivatives that are not associated with insurance contracts) with total book value of all Enaya's liabilities, and

2- Comparison of total book value of Enaya's liabilities as associated with insurance contracts with total book value of all Enaya's liabilities. Based on these assessments, Enaya managed to determine that it is qualified to temporary exemption. Consequently, Enaya decided to postpone the application of IFRS 9 until the date of entry into force of the new insurance contracts standard. The required disclosures related to the financial assets during the postponements period are included in the Company's financial statements.

Impact assessment

As on 31 December 2020G, Enaya has total financial assets (including insurance receivables / recoverable reinsurance receivables) and assets related to insurance contracts amounting to SAR 303.203 million and SAR 49.426 million respectively. Financial assets currently retained at amortized cost consist of cash and cash equivalents and certain other debit balances and amount to SAR 291,926 million (2019G: SAR 311.055 million). Enaya does not have any other financial assets from investments available for sale as of 31 December 2020G (2019G: None). Enaya expects to use the classification of these financial assets at fair value through other comprehensive income in accordance with Enaya's business model in relation to debentures and strategic nature of equity investments. However, Enaya has not yet performed a detailed assessment to determine whether the debentures meet test of payments related to principal and interest on existing principal amount as required by IFRS 9.

As to such investments in portfolios classified as available for sale investments, they will be at fair value in the income statement under IFRS 9. As at 31 December 2020G, value of debentures at fair value was nil, and the same applies to changes to fair value during the year. Other financial assets at fair value amounted to SAR 8,047 million as at 31 December 2020G, with a change in fair value during the year amounting to 0.186 million. Credit risk: focus was made on credit risk and quality of such financial assets mentioned in Note 31. The Company's financial assets are of level less than credit risk as at 31 December 2020G and 2019G. The foregoing relies on the high-level impacts related to IFRS 9 analysis. This preliminary analysis relies on the currently available information, and is subject to change as a result of more accurate analyses or if additional information becomes available in the future. In general, Enaya expects, after application, certain impacts resulting from the reduction requirements according to IFRS 9. However, this impact(s) is not expected to be significant. At the present time, it is not possible to provide a reasonable expectation of application impact of such standard, as Enaya performed no accurate analysis. We are in the process of estimating non-performance risks of certain reinsurers' agreements based on IFRS 9 in relation to the expected credit losses model using simplified method.

(C) Essential accounting policies used in preparation of financial statements are set out below:

1- Insurance Contracts

Enaya issues insurance contracts that carries insurance risks. Insurance contracts are those in which an insurer accepts essential insurance risks from policyholder by way of agreeing to keep policyholder indemnified in case of any unspecified future event which adversely affects the policyholder. As general guidelines, Enaya defines essential insurance risk as possible payment a certain sum when an insured event occurs that exceeds at least 10% of the due amount if no insured event has occurred.

2- Revenue Realization

Recognition of premium:

Premiums are recorded in income statement on a straight-line basis over the life of an insurance policy. Unearned premiums are calculated on a straight-line basis over the life of an insurance policy.

Unearned premiums account for such portion of subscribed premiums that relates to the unexpired year of coverage. Any change to unearned premiums provision is recorded in income statement based on the fact that revenues are recognized throughout risk period.

Reinsurance:

Reinsurance obligations account for balances due to insurers. Due amounts are estimated in line with relevant reinsurance contract. Premiums and claims are presented on a gross basis for both assumed and sourced reinsurance. Reinsurance assets or liabilities are excluded when the contractual rights terminate or expire or when the contract is transferred to another party.

Reinsurance contracts that carries no material insurance risk are calculated directly through the statement of financial position. They are assets in the form of deposits or financial liabilities that are recognized based on the consideration paid or received less any clear and specific premiums or fees maintained by the reinsurer. Investment income on these contracts is calculated using actual interest rate method as it falls due.

Investment Income:

Investment revenues of debt instruments, classified under investments retained up to maturity date, and murabaha deposits are calculated based on actual interest basis.

Dividend Revenue:

Dividend revenues of equity instruments, classified under fair value clause, are recognized through income statement when the right to receive payment is recognized.

3- Claims

Claims consist of amounts due to policyholders and third parties, expenses related to compensation for loss and other refunds. Total existing claims account for total estimated cost of claims incurred but not settled at date of statement of financial position with related claims processing costs, whether or not they were reported by the insured. Provisions for unpaid and reported claims as at date of statement of financial position are assigned on the basis of individual case estimates. In addition, a provision is allocated at the Company's discretion and past experience in settlement cost of claims incurred but not reported including relevant processing costs of claims as at date of statement of financial position. Claims payable are displayed on a gross basis and relevant share of reinsurers is displayed separately. Moreover, Enaya do not exclude its liabilities from unpaid claims as all claims are expected to be paid within one year from the date of statement of financial position.

4- Reinsurance Contracts

Reinsurance is allocated between contractual and optional reinsurance contracts and loss and excess loss. Contracts entered into by Enaya with reinsurers whereby Enaya receives compensation against losses in one or more contracts to be issued by Enaya in satisfaction of classification requirements of insurance contracts are classified as retained reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by Enaya whereby the contract holder is another insurer (inward reinsurance) have been included in insurance contracts. An asset or liability is recorded in the statement of financial position to account for such payments payable by reinsurers, losses recoverable from reinsurers and premiums due to reinsurers. Amounts payable under reinsurance are estimated in a manner consistent with the claim obligation associated with the insureds. Reinsurance assets or liabilities are excluded when the contractual rights terminate or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there exits an objective evidence that Enaya would not recover outstanding amounts under contract terms and when the effect on the amounts that Enaya will receive from the reinsurer could be measured in reliable manner. Impairment loss is recorded in the income statement as incurred. Sourced reinsurance arrangements do not relieve Enaya of its obligations towards policyholders.

5- Costs of acquiring a postponed insurance policy

Commissions and other costs directly related to the purchase and renewal of insurance contracts are postponed and amortized in accordance with terms of insurance contracts associated with them, similar to acquired premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "insurance policy acquisition costs" in the income statement. Changes to expected useful life or expected pattern of consumption of future economic benefits included in assets are calculated by way of changing amortization period and treated as a change to accounting estimate. An impairment review is conducted at each reporting date or more frequently when there appears an indication of impairment. If such assumptions related to future profitability of these policies have not been realized, amortization of such costs can be accelerated and this may also require transfer of additional impairment losses to the income statement. Costs of acquiring postponed insurance policies are also considered in liability appropriateness test at each reporting date.

6- Liability suitability test

At the date of each statement of financial position, tests of liability suitability are conducted to check suitability of liabilities relating to net insurance contracts having excluded acquisition costs of relevant postponed insurance policies. Upon conducting such tests, management uses current best estimates of future contractual cash flows, processing expenses and administrative expenses. Any deficiency in book value is directly charged to the income statement by way of creating a provision of losses arising from suitability of liabilities tests accordingly.

7- Receivables

Receivable premiums are recognized based on gross insurance premiums receivable from insurance contracts, less a provision of any uncollectible amounts. Insurance and reinsurance premiums are recognized when they fall due and measured at initial recognition at the fair value of the consideration received or receivable. Book value of the receivables is reviewed to determine impairment and as events or circumstances suggest that the book value would not be recoverable, impairment loss is recorded in "other general and administrative expenses" in the income statement. Receivable balances are excluded when the Company has no control over the contractual rights that make up the said balance. This usually occurs when the outstanding balance is sold, or when all cash flows relating to the balance are passed to an independent third party. Receivables disclosed in Note 7 are deemed within the scope of IFRS 4 "Insurance Contracts".

8- Investments

Investments available for sale

Financial assets available for sale are those non-derivative financial assets that have not been classified as retained for trading, retained to maturity date or loans and receivables, nor classified at fair value through gain or loss. These investments are initially recorded at cost; being the fair value of paid consideration including transaction costs that are directly attributable to acquisition of investment and subsequently measured at fair value. Cumulative changes to fair value of these investments in other comprehensive income are included in the statement of comprehensive income under "Net change to fair value – investments available for sale" clause. Gains or loss realized from sale of these investments are included in relevant income statement under 'Gain/(loss)' realized from available for sale investments" clause. Dividends, commissions and foreign currency gain/loss dominated by foreign currency arising from available for sale investment are recognized in income statement or statement of comprehensive income - shareholders' operations as part of the net investment income/loss. Any material or long-term impairment in the fair value of available for sale investments is adjusted and reported in the related statement of comprehensive income as an impairment expense. Fair values of available of sale investments are based on declared prices for negotiable securities or estimated fair values. Fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to market value of a similar investment or, where fair values cannot be obtained from active markets, it is determined using various evaluation techniques.

Inputs to these models are taken from observable markets where possible, but where this is not possible, judgment is required to determine fair value.

Reclassification:

Enaya assesses whether the ability and intent to sell its available for sale financial assets in a short term is still appropriate. When Enaya is unable, in rare circumstances, to trade such financial assets due to inactive markets, the Company may reclassify these financial assets if the management has the ability and intent to retain assets for the foreseeable future or until maturity date. Reclassification to loans and receivables is permitted when a financial asset meets the definition of loans and receivables and the management has the intent and ability to retain such assets for the foreseeable future or until maturity date. Reclassification to financial assets retained until maturity date is only permitted when Enaya has the ability and intent to retain the financial asset to maturity date. As to financial assets reclassified as per available for sale category, the fair value at the date of reclassification becomes the new amortized cost and any gains or losses preceding such asset and were recognized in equity is amortized to gains or loss over the remaining lifecycle of investment using the actual interest rate. Any difference between new amortized cost and maturity amount is amortized over the remaining lifecycle of the asset using the actual interest rate. If an asset is subsequently determined to be impaired, such amount recorded in shareholders' equity is reclassified to the income statement.

Investments retained at fair value through income statement

Investments in this category are classified if they were retained for trading or designated by the management as investments retained at fair value through income statement on initial recognition. Investments classified as trading are principally acquired for the purposes of selling or repurchasing in the short term and be recorded in the statement of financial position at fair value. Changes to fair value are recognized in net trading income/loss.

An investment may be designated as retained at fair value through income statement by the management, upon initial recognition, if it meets the criteria set out in IAS 39, with the exception of equity instruments which have no prices listed in an active market and which fair value is not measureable in a reliable manner.

Investments retained at fair value through income statement are recorded in the statement of financial position at fair value. Changes to fair value are included in income statement for the year in which they arise. Transaction costs are not added to the fair value measurement upon initial recognition of investments retained at fair value through income statement. Revenues of special commissions and dividends of financial assets retained at fair value through income statement appear as trading revenue or revenue generated by financial instruments retained at fair value through income statement in income statement.

Reclassification:

Investments retained at fair value through income statement are not reclassified after initial recognition, except for non-derivative investments, other than those designated and retained at fair value through income statement upon initial recognition, may be reclassified from fair value through income statement (for example, commercially) if they are no longer retained for the purpose of selling or repurchasing it in a short term. The following conditions are met:

- If a financial asset meets the definition of loans and receivables, if the financial asset is not necessarily to be classified as retained for trading on initial recognition, it may be reclassified if Enaya has the intent and ability to retain the financial assets for the foreseeable future or until their maturity date.
- If financial assets do not meet the definition of loans and receivables, they may be reclassified in the commercial category only in "rare circumstances".

Retained to maturity date

Investments that have fixed or determinable payments and fixed maturity date provided that Enaya has the intent and ability to retain them to maturity are classified as retained to maturity date. Investments retained to maturity are initially recognized at fair value, including costs of direct and complementary transaction, and subsequently measured at amortized cost, less provision for impairment. Amortized cost is calculated by way of taking any discount or premiums into consideration upon acquisition using actual return. Any gain or loss related to such investments is recognized in income statement when the investment is excluded or impaired.

Reclassification:

Investments classified as retained to maturity cannot usually be sold or reclassified without affecting Enaya's ability to use this classification and cannot be classified as hedge in terms of commission rate or prepayment risks, which reflects nature of such investments on the longer term.

However, sales and reclassifications in any of the following cases will not affect Enaya's ability to use this classification:

- Sales or reclassifications that are in close proximity to maturity where changes to market commission rate are not of any material impact on fair value.
- Sales or reclassifications after Enaya has collected almost the entire amount of the asset.
- Sales or reclassifications attributable to isolated and infrequent events which fall outside Enaya's control and could not have been reasonably foreseen.

9- De-recognition of financial instruments

De-recognition of financial instruments occurs when Enaya does not control the contractual rights that comprise the financial instrument, which is usually the case when the instrument is sold, or when all cash flows attributable to the instrument are passed to an independent third party and Enaya has transferred all the risks and benefits of ownership to a great extent.

10- Set-off

Financial assets and financial liabilities are subject to set-off and net amount reported in the statement of financial position is shown only when there is a currently enforceable legal right to set recognized amounts off and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not subject to set-off in the statement of comprehensive income unless as required or permitted by an accounting standard or interpretation.

11- Trade history accounting

All ordinary purchase and sale transactions of financial assets are recognized/ excluded on trading date (i.e. such date in which Enaya shall buy or sell assets). Ordinary purchase or sale transactions are such those which relate to financial assets which require settlement of assets within the timeframe generally recognized under a regulation or agreement in the market.

12- Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment occurs if one or more events that have occurred since the initial recognition of the asset (an incurred "loss event") have an impact on estimated future cash flows of a financial asset or a group of financial assets that can be estimated at optimum accuracy.

Evidence of impairment may include:

- Significant financial difficulty of the Issuer or debtor;
- Breach to the contract, such as a default or delay in payment;
- It becomes probable that the Issuer or debtor will enter into bankruptcy or any other financial reorganization;
- Disappearance of an active market of such financial asset due to financial difficulties; or
    - If there is any data which indicates that a measurable decrease occurred in the estimated future cash flows from a group of financial assets since the initial recognition of such assets, although the decrease cannot be identified with individual financial assets in the Company, including:
    - Adverse changes in case of payment by Issuers or debtors of Enaya; or
    - National or local economic conditions in the country of Issuers that are associated with default in payments of assets.

If there is objective evidence of loss caused by impairment of financial assets, impairment is determined as follows:

1- As to assets listed at fair value, impairment represents significant or extended decline in the fair value of financial assets.

2- As to assets listed at amortized cost, impairment is based on estimated future cash flows to be deducted at original actual interest rate.

As to financial assets available for sale, Enaya assesses at each reporting date whether there is an objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, Enaya individually assesses whether there is objective evidence of impairment. Objective evidences may include indicators that a borrower suffers significant financial difficulties, negligence or delay in income of special commission or essential payments, and that it is liable to enter into bankruptcy or another financial reorganization procedure. Data that can be observed suggests the existence of a significant decline upon estimating future cash flows suggest, such as changes to economic conditions that are associated with payment default. However, the amount recorded for impairment accounts for accumulated loss measured through the difference between amortized cost and current fair value, less any impairment loss of such investments previously recognized in the income statement and statement of comprehensive income. If fair value of debt instrument has increased in a subsequent period and such increase can be objectively associated with the occurrence of credit event having proved impairment loss in the income statement and statement of comprehensive income, impairment loss is reversed in value through the income statement and statement of comprehensive income.

As to equity investments retained as available for sale, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment. Impairment loss cannot be reversed through the income statement as long as the asset continues to be recognized, i.e. any

increase in fair value after the impairment is recorded in other comprehensive income only. Upon exclusion, any cumulative gain or loss previously recognized in other comprehensive income is included in the income statement under 'realized gain/loss' clause from available for sale investments.

Use of the provision requires what is "significant" or "prolonged." A period of 12 months or longer is considered an extended period of time and a decrease at 30% of original cost is considered material in accordance with Enaya policy. In making this judgment, Enaya assesses, inter alia, the duration or extent to which fair value of investment has been less than its cost.

In assessing whether an investment in a debt instrument is impaired, Enaya pays attention to factors such as market assessment of creditworthiness as shown in instrument yields, assessment of creditworthiness by rating agencies, the country's ability to access capital markets to issue the new debt and potential restructuring of debts which may cause debtors to suffer losses through voluntary or obligatory debt forgiveness. The amount recorded at impairment accounts for accumulated loss measured through the difference between amortized cost and current fair value, less any impairment loss of such investments previously recognized in the income statement and statement of comprehensive income.

13- Property and Equipment

Property and equipment are recognized at cost less cumulative depreciation and any impairment losses. Subsequent costs are included in book value of an asset or recorded as an asset in a separate item, depending on the nature of the asset, when it is probable that future economic benefits associated with the item would flow to Enaya and item cost can be measured in a reliable manner. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. Land(s) is not subject to depreciation. Cost of other items of property and equipment is depreciated using the straight-line method to allocate cost over the estimated useful lives, as follows:

Rented improvements	3 years
Computers	4 years
Vehicles	5 years
Furniture, Fitting-out and Stationery	4-10 years

Residual values of assets and useful lives are reviewed at each reporting date and adjusted, if appropriate. Book value of such assets is reviewed to determine impairment when an event or changes to circumstances indicate that book value may not be recoverable. If any such indication exists and where book values exceed the recoverable amount, assets are written down to their recoverable amount.

Capital works in progress include property to be developed for future use. At completion of their development, capital works in progress are transferred to the relevant category of property and equipment, and depreciated in accordance with Enaya's policy.

Gains and losses of exclusion are determined by way of comparing proceeds with book value and included in 'other net income' in income statement.

14- Right to use assets

Enaya applies the cost model and measures the right to use assets as per cost:

a. Less any accumulated amortizations and any accumulated impairments
b. Adjusted as per any lease re-measurement to amend the lease.

In general, the right to use assets equals leases. However, if there are any incremental costs such as site preparation, non-refundable deposits, submission costs, and other expenses related to operations, they are added to the value of right to use assets.

15- Intangible assets

Intangible assets acquired separately appear (as per the foregoing category) at historical cost. They have a definite useful life and be subsequently stated at cost less accumulated amortization and impairment losses. Enaya amortizes intangible assets which have a definite useful life using the straight line method over the following periods:

Programs	4 years
Licenses	4 years

16- Impairment of nonfinancial assets

Assets that have an indefinite useful life, such as land for example are not subject to depreciation and are tested annually to determine impairment or increase. Assets subject to depreciation are reviewed to determine impairment when events or changes to circumstances suggest that book value may not be recoverable. It is recognized as an impairment loss amount that exceeds its carrying value of the asset amount that can be recovered. A recoverable amount accounts of asset fair value less sale costs or value in use. For the purpose of assessing impairment, assets are consolidated at the minimum level through which certain cash flows separately exist (cash generating units).

17- Obligations of leases

On initial recognition, the present value of the lease accounts for the value of all remaining payments to the lessor. After the start date, Enaya measures leases through the following:

a. Increasing book value to reflect the additional financing rate on the lease;
b. Reducing book value to reflect the value paid; and
c. Re-measuring book value to reflect any revision or amendment to the lease.

Upon conversion to leases that have been previously accounted for as operating contracts with less than 12-month period remaining on the contract term and leases with low asset value, Enaya applied the voluntary exception, so that it would not recognize right to use assets but calculates lease contract expenses using the straight-line method for the remainder of the contract term.

18- Employees end of service benefits

Enaya calculates end of service benefits plan for its employees based on labor laws applicable in the Kingdom of Saudi Arabia. Entitlements are assessed at the present value of expected future payments with respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Expected future wage and salary levels, previous experience with respect to departure of employees and tenures of service are taken into account. Expected future payments are deducted using market returns at the end of the financial year along with high quality purchase bonds under such terms and currencies that are in line, as much as possible, with estimated future cash flows. End of service benefits are paid when they fall due. Re-measurement (actuarial gains/losses) is recognized as a result of experience-based adjustments and changes to actuarial assumptions in the statement of comprehensive income.

19- Zakat and income taxes

Enaya is subject to zakat and income tax according to Zakat, Tax and Customs Authority. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year. Zakat and income tax accrue on a quarterly basis. In case there were any additional due amounts upon completion of final assessments.

20- Deferred tax

Financial impact of applying the deferred tax accounting policy is not of material importance in the financial statements, and accordingly, the amounts for the previous period have not been adjusted.

21- Dividend

Dividend distributions to Enaya shareholders are recognized as a liability in the Company's financial statements in the year in which the dividends are approved by Enaya shareholders.

22- Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances including murabaha deposits accrued within a period less than three months from acquisition date.

23- Statement of cash flows

Main cash flows of the Company are those insurance operations to be classified as cash flow from operating activities. Cash flows generated from financial and investment activities are classified accordingly.

24- Foreign currencies

Transactions in in foreign currencies are recorded in Saudi Arabian Riyals at the exchange rate prevailing at transaction date. Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rate prevailing at statement of financial position date All differences are taken to statements of income and comprehensive income. Non-monetary items to be measured in terms of historical cost are translated into foreign currency using the exchange rates as at the date of the initial transaction and are not measured later. Gains or losses of foreign currency exchange for available for sale investment are credited in "other revenues, net" to the statements of income and comprehensive income. Whereas foreign currency transactions are mainly denominated in US$, gains and losses of foreign currency are not of material importance.

25- Operating sectors

A sector is a distinct part of an Enaya engaged in providing products or services (business sector), which is subject to risks and returns which differ from those of other sectors. For management purposes, Enaya is organized into business sectors based on its products and services including the following sectors to be reported:

- **Medical coverage for health insurance**

Operating sectors are reported in a manner consistent with the internal reports provided to Chief Operating Decision Maker. Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of operating sectors, has been identified as the CEO who makes strategic decisions. No inter-sector transactions occurred during the year.

26- Statutory Reserves

According to the Company's by-laws, Enaya allocates 20% of its net income generated by shareholders' operations each year to legal reserve until it forms a reserve equal to capital. Reserve is not available for distribution.

27- Fair Values

Fair value of financial assets relies on listed prices of negotiable securities or estimated fair values. Fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

As to financial assets that are not quoted in active markets, fair value is determined by reference to market value of similar financial assets or, when fair values cannot be obtained from active market, it is determined using various evaluation techniques. Inputs of these models are taken from observable market where possible, but when this is not possible, there is a need to use judgment in determining fair values.

28- Creditor and Credit Entitlements

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

29- Provisions

Provisions are recognized when Enaya has an obligation (legal or commercial) as a result of a past event, and it is probable that an outflow of resources occurs including economic benefits required to settle the obligation. A reliable estimate can be made for amount of obligation.

30- Provision for outstanding claims

Judgment is used by management in the estimation of amounts payable to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions related to several factors involving varying degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes to the estimated liabilities. Enaya estimates its claims based on its experience in its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred and claims incurred but not reported on a monthly basis. Any difference between provisions at the date of the statement of financial position and adjustments and provisions in the following year is included in statement of insurance operations and accumulated surplus of that year. Provision of outstanding claims is also verified and approved as at 31 December by an independent actuary.

5.4 Key Financial Indexes

The following table shows the main KPIs for the financial years ending 31 December 2018G, 2019G and 2020G.

Table No. (24): Key Financial Indexes

SAR Thousand	Display Unit	Financial year ended December 31		
		2018G Audited	2019G Audited	2020G Audited
Loss rate	%	109.0%	121.0%	87.3%
Expense percentage	%	30.3%	89.5%	b35.2%
Unified percentage	%	139.3%	210.5%	122.5%
Number of insurance policies acquired	x	797	1,801	8,008
Total subscribed premiums per policy	**SAR Thousand**	**173,455**	**85,524**	**20.714**

Source Management Information.

5.5 Operations results

5.5.1 Statement of income

The following table shows the main KPIs for the financial years ending 31 December 2018G, 2019G and 2020G.

Table No. (25): Operations Results - Statement of Income

SAR Thousand	Financial year ended December 31			Increase / (Decrease)		Compound Annual Growth Rate
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Revenues						
Total subscribed premiums	**138,244**	**154,028**	**165,874**	**11.4%**	**7.7%**	**9.5%**
Excess Loss Expenses - Foreign	(22,358)	-	-	(100.0%)	N/A	(100.0%)
Net subscribed premiums	115,886	154,028	165,874	32.9%	7.7%	19.6%
Changes to unsubscribed premiums	128,039	(55,582)	8,416	(143.4%)	(115.1%)	(74.4%)
Net subscribed premiums	**243,925**	**98,446**	**174,290**	**(59.6%)**	**77.0%**	**(15.5%)**
Total revenues	**243,925**	**98,446**	**174,290**	**(59.6%)**	**77.0%**	**(15.5%)**
Subscription costs and expenses						
Total paid claims	289,273	139,694	139,752	(51.7%)	-	(30.5%)
Reinsurers' share in paid claims	(28,021)	(6,933)	(996)	(75.3%)	(85.6%)	(81.1%)
Net paid claims	**261,252**	**132,761**	**138,756**	**(49.2%)**	**4.5%**	**(27.1%)**
Changes to unadjusted claims, net	4,009	(18,154)	18,791	No sense	(203.5%)	116.5%
Changed to claims incurred and unreported, net	530	4,559	(5,425)	No sense	(219.0%)	N/A
Net claims incurred	**265,791**	**119,166**	**152,122**	**(55.2%)**	**27.7%**	**(24.3%)**
Reserve of premiums deficiency	1,831	15,504	(2,790)	746.8%	(118.0%)	N/A
Other technical reserves	85	888	(1,134)	944.7%	(227.7%)	N/A
Costs of insurance policy acquisition	14,779	4,451	5,916	(69.9%)	32.9%	(36.7%)
Other subscription expenses	4,369	3,413	3,315	(21.9%)	(2.9%)	(12.9%)
Total subscription costs and expenses	**286,855**	**143,422**	**157,429**	**(50.0%)**	**9.8%**	**(25.9%)**
Net subscription result	**(42,930)**	**(44,976)**	**16,861**	**4.8%**	**(137.5%)**	**N/A**
Other operating (expenses)/ revenues						
Provision (refund) of bad debts	122	(9,962)	(181)	No sense	(98.2%)	N/A
General and administrative expenses	(52,968)	(53,882)	(55,817)	1.7%	3.6%	2.7%
Commission revenues of deposits	3,849	6,666	4,399	73.2%	(34.0%)	6.9%
Profit not generated by investments	92	655	186	612.0%	(76.6%)	42.2%
Profit generated by investments	-	-	117	N/A	N/A	N/A
Dividend Revenues		-	108	N/A	N/A	N/A
Discount amortization, net	-	147	159	N/A	8.2%	N/A
Other revenues	-	-	2,257	N/A	N/A	N/A
Other total operating expenses	**(48,905)**	**(56,376)**	**(48,772)**	**15.3%**	**(13.5%)**	**(0.1%)**
Net loss for the year	**(91,835)**	**(101,352)**	**(31,911)**	**10.4%**	**(68.5%)**	**(41.1%)**
Net loss for the year of shareholders before Zakat	**(91,835)**	**(101,352)**	**(31,911)**	**10.4%**	**(68.5)**	**(41.1)**
Opposite Zakat provision of previous years	-	-	5,298	N/A	N/A	N/A
Zakat expenses for the year	(2,400)	(4,800)	(1,800)	100.0%	(62.5%)	(13.4%)
Net loss for the year	**(94,235)**	**(106,152)**	**(28,413)**	**12.6%**	**(73.2%)**	**(45.1%)**

Source Audited financial statements for the financial years 2018G, 2019G and 2020G

Note: "No sense" phrase means that increase percentage exceeds 500% or decrease percentage exceeds 500%". "N/A" phrase in the table above means not calculation of decrease or increase for the existence of "zeros".

Total subscribed premiums increased at 11.4% from SAR 138.2 million in 2018G to SAR 154.0 million in 2019G, due to the increase in the number of insurance policies subscribed as a result of resumption of business by the Central Bank of Saudi Arabia in January 2019G, after Enaya acceptance of new subscribers was stopped along with its prevention from issuing or renewing any insurance policies on 27 May 2018G, due to its non-compliance with the solvency requirements according to Article 66 of the Executive Regulations for Monitoring Cooperative Insurance Companies, where solvency rate at the end of 2018G reached 36.6%. Total subscribed premiums increased again at 7.7% from SAR 154.0 million in 2019G to SAR 165.9 million in 2020G. This increase is attributed to the increase in the number of policies subscribed from 1,801 policies in 2019G to 8,008 policies in 2020G.

Total revenues decreased by 59.6% from SAR 243.9 million in 2018G to SAR 98.4 million in 2019G. This decrease is mainly due to the decrease in net changes to unearned premiums. Then, total revenues increased by 77.0% from SAR 98.4 million in 2019G to SAR 174.3 million in 2020G, mainly due to the increase in gross subscribed premiums in addition to the increase in net changes to unearned insurance premiums during 2020G.

Total subscription costs and expenses decreased by 50.0% from SAR 286.9 million in 2018G to SAR 143.4 million in 2019G due to decrease in total paid claims and total subscription costs and expenses increased by 9.8% from SAR 143.4 million in 2019G to SAR 157.4 million in 2020G. This was resulted from such increase witnessed by changes to net unadjusted claims.

Other operating expenses and revenues include provision (refund) for doubtful debts, general and administrative expenses, commission revenue of deposits, realized and unrealized profits from investments, dividend revenue, amortization of net discounts, and other revenues. Total other operating expenses increased by 15.3% from SAR 48.9 million in 2018G to SAR 56.4 million in 2019G, primarily due to the increase in the provision for doubtful debts in addition to the increase in general and administrative expenses during 2019G. Total other operating expenses decreased by 13.5% from SAR 56.4 million in 2019G to SAR 48.8 million in 2020G as a result of reversing the provision for doubtful debts.

5.5.1.1 Gross Written Premium (by sales channel)

The following table shows the gross written premiums by (sales channel) for the facial years ending on December 31, 2018G, 2019G and 2020G.

Table No. (26): Gross Written Premiums by (Sales Channel)

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR – 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2019G	2020G	
Direct sales	81,131	91,027	55,576	12.2%	(38.9%)	(17.2%)
Sales through intermediaries	35,154	24,048	18,539	(31.6%)	(22.9%)	(27.4%)
Tele sales	9,485	8,683	11,729	(8.5%)	35.1%	11.2%
Agents	9,519	6,266	23,320	(34.2%)	272.2%	56.5%
Sales manager	2,956	24,004	56,710	712.3%	136.3%	338.1%
Total	**138,244**	**154,028**	**165,874**	**11.4%**	**7.7%**	**9.5%**
As a percentage of gross written premiums						
Direct sales	58.7%	59.1%	33.5%			
Sales through intermediaries	25.4%	15.6%	11.2%			
Tele sales	6.9%	5.6%	7.1%			
Agents	6.9%	4.1%	14.1%			
Sales manager	2.1%	15.6%	34.2%			
Total	**100.0%**	**100.0%**	**100.0%**			

Source: Management Information.

Enaya Company focuses on direct sales, sales manager, and phone sales (through the sales department employees), as they constituted 67.7%, 80.3% and 74.8% of the total premiums written in 2018G and 2019G-2020G, respectively. The increase in the percentage of those sales from the total premiums written from 67.7% in 2018G to 74.8% in the year 2020G was related to insurance policies issued to related parties, and no commissions were calculated on these policies.

The percentage of sales through intermediaries of the total written premiums decreased from 25.4% in 2018G to 11.2% in 2020G, due to the focus on direct sales by Enaya Company to avoid the high costs of intermediaries to acquire insurance policies.

Tele sales focus on the business of small and medium enterprises, as Enaya Company produces its business from this channel through telephone and email correspondence. The movement in sales through this channel is aligned with the movement in gross written premiums during the period under analysis.

Sales through agents are represented by sales from insurance agencies, and during the years 2018G, 2019G and 2020G, the Middle East Takaful Insurance Agency was the sole agent for Enaya Company. The total written premiums through the agents decreased as a result of the business suspension by SAMA in 2018G and 2019G, then the total written premiums from this channel increased significantly during the year 2020G with a value of SAR 17.1 million (equivalent to 272.2%) due to the gradual recovery after lifting the suspension Business by SAMA, as well as the increase in the number of points of sale and agent branches throughout the Kingdom of Saudi Arabia during the years 2018G, 2019G and 2020G.

5.5.1.2 Gross Written Premiums (by regions)

The following table shows the total written premiums (by regions) for the facial years ending on December 31, 2018G, 2019G and 2020G.

Table No. (27): Gross Premiums (by Regions)

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Jeddah	98,133	119,328	141,500	21.6%	18.6%	20.0%
Riyadh	40,111	34,700	24,374	(13.5%)	(29.7%)	(22.0%)
Total	**138,244**	**154,028**	**165,874**	**11.4%**	**7.7%**	**9.5%**
As a percentage of gross written premiums						
Jeddah	71.0%	77.5%	85.3%			
Riyadh	29.0%	22.5%	14.7%			
Total	**100.0%**	**100.0%**	**100.0%**			

Source: Management Information.

Enaya Company lists its business in the cities of Jeddah and Riyadh. Businesses in the city of Jeddah accounted for the largest percentage, accounting for 71.0%, 77.5% and 85.3% of the total premiums written in 2018G, 2019G and 2020G.

5.5.1.3 Foreign Loss Surplus Expenses and Attributed Reinsurance Premiums

In 2018G, Enaya Company entered into a reinsurance agreement with the American Reinsurance Group. In accordance with the reinsurance agreement signed with the American Reinsurance Group, the reinsurer bears any excess loss claims from the premiums included in the reinsurance agreement.

It is worth noting that the reinsurance agreement with the American Reinsurance Group expired during the year 2018G, and Enaya Company considered the receivables based on the American Reinsurance Group as doubtful debts and made provision for them amounting to 3.0 million riyals and SAR 6.8 million for the years ending in December 31, 2019G and 2020G, respectively.

In August 2021G, Enaya Company made a final settlement with the American Reinsurance Group, according to which an amount of SAR 0.4 million will be collected from the total outstanding receivables. Refer to Risk Factor No. (2.2.8) "Risks Associated with Higher Receivables for Reinsurers" of this circular).

5.5.1.4 Changes in unearned premiums, net

Changes in unearned premiums represent the difference in premiums written (recorded) and earned premiums during the year. Furthermore, changes in total unearned premiums net of reinsurance share are presented.

5.5.1.5 Subscription costs and expenses

The following table shows the subscription costs and expenses for the facial years ending on December 31, 2018G, 2019G and 2020G.

Table No. (28): Subscription costs and expenses

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Total Claims Paid	289,273	139,694	139,752	(51.7%)	-	(30.5%)
Less: Reinsurers' share of claims paid	(28,021)	(6,933)	(996)	(75.3%)	(85.6%)	(81.1%)
net claims paid	261,252	132,761	138,756	(49.2%)	4.5%	(27.1%)
Change in claims outstanding, net	4,009	(18,154)	18,791	Meaningless	(203.5%)	116.5%
Change in claims incurred but not reported, net	530	4,559	(5,425)	Meaningless	(219.0%)	N/A
net claims incurred	265,791	119,166	152,122	(55.2%)	27.7%	(24.2%)
Insurance premium deficiency reserve	1,831	15,504	(2,790)	Meaningless	(118.0%)	N/A
Other technical reserves	85	888	(1,134)	Meaningless	(227.7%)	N/A
Costs of acquiring insurance policies	14,779	4,451	5,916	(69.9%)	32.9%	(36.7%)
Other underwriting expenses	4,369	3,413	3,315	(21.9%)	(2.9%)	(12.9)
Total subscription costs and expenses	286,855	143,422	157,429	(50.0%)	9.8%	(25.9%)

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase percentage is more than 500% or the decrease percentage is more than 500%."

"N/A" in the above table means that the increase or decrease percentage is not calculated due to the presence of "zeroes".

Total paid claims decreased by 51.7% from SAR 289.3 million in 2018G to SAR 139.7 million in 2019G. This decline was in light of the portfolio renewal during the business suspension phase by SAMA. With the renewal of the underwriting strategy in 2019G that focused on small-sized institutions, Enaya Company was able to maintain the same level of total claims paid during the fiscal year 2020G and increase the total written premiums.

The reinsurers' shares in paid claims decreased by 75.3% from SAR 28.0 million in 2018G to SAR 6.9 million in 2019G, and the reinsurers' shares in paid claims decreased by 85.6% from SAR 6.9 million in 2019G to SAR 1.0 million in 2020G. The decrease in 2019G and 2020G compared to 2018G was the result of the decision of Enaya Company to bear all insurance risks from 2019G onwards. The share of reinsurers in the total claims paid during the years 2019G and 2020G was related to the unexpired reinsurance operations under the excess of loss and reinsurance agreement concluded with the American Reinsurance Group. In accordance with the reinsurance agreement signed with American Reinsurance Group, the reinsurer bears any excess loss claims from the premiums included in the reinsurance agreement. It is worth noting that the reinsurance agreement with the American Reinsurance Group expired during the year 2018G. Enaya also considered the receivables based on the American reinsurance group as doubtful debts and allocated a provision for them at a value of 3.0 million riyals and SAR 6.8 million for the years ending on December 31, 2019G and 2020G, respectively.

The net change in outstanding claims decreased by 552.8% from SAR 4.0 million in 2018G to SAR 18.2 million in 2019G, as Enaya Company was under suspension for most of 2018G and was unable to establish new business. The increase in the net change in outstanding claims in 2020G by 203.5% was related to the lifting of the business suspension by SAMA in January 2019G.

The net claims incurred were related to the net claims paid plus the changes that occurred during the year in respect of the outstanding claims and the net claims incurred but not reported.

The provision for insurance premium deficiency reserve represents a reserve created to mitigate the impact of any expected shortfall. The provision is estimated by the actuary after taking into account several factors and assumptions related to future events and conditions and the expected loss ratio for the unexpired portion of the policy risk.

Other technical precautions mainly include precautions related to applicable hazards.

The costs of acquiring insurance policies mainly include expenses incurred in obtaining the insurance policies and mainly represent commissions paid to sales staff and brokers. Fluctuations in the balance of insurance policy acquisition costs during the period under analysis were related to the movement in net earned premiums.

Other underwriting expenses mainly include supervision fees for the Saudi Central Bank (which represents 0.5% of the total written premiums) and the fees of the Council of Cooperative Health Insurance (which represents 1.0% of the total medical insurance premiums written). Other underwriting expenses decreased by 21.9% from SAR 4.4 million in 2018G to SAR 3.4 million in 2019G. It decreased again by 2.9% to SAR 3.3 million in the year 2020G. This is due to the decrease in fees related to automated claims management services from Waseel Company for Electronic Information Transfer by 19.4%, as well as the decrease in fees for the verification service for potential document holders "Yaqeen Service" from the company. "Science" by 34.3%.

5.5.1.6 Provision / (Refund) for doubtful debts

The provision for doubtful debts represents the provision for premiums and reinsurance receivable. The provision fluctuation during the period under analysis due to the reversal of doubtful debts, after a change in the method of analyzing the obsolescence of receivables, according to SAMA's instructions.

5.5.1.7 General and administrative expenses

The following table shows the general and administrative expenses for the fiscal years ending on December 31, 2018G, 2019G and 2020G.

Table No. (29): General and Administrative Expenses

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Insurance Operations						
Staff costs	39,536	35,312	35,213	(10.7%)	(0.3%)	(5.6%)
Depreciation	801	959	1,030	19.7%	7.4%	13.4%
Amortization	942	808	479	(14.2%)	(40.7%)	(28.7%)
Amortization of the right to use assets	-	-	1,041	N/A	N/A	N/A
Rent expenses	160	4,645	2,764	Meaningless	(40.5%)	315.6%
Legal and professional fees	1,696	2,206	3,336	30.1%	51.2%	40.2%
Repair and maintenance costs	2,460	2,925	2,736	18.9%	(6.5%)	5.5%
Marketing expenses	435	95	166	(78.2%)	74.7%	(38.2%)
Other expenses	3,739	3,254	5,430	(13.0%)	66.9%	20.5%
Total insurance operations	**49,769**	**50,204**	**52,195**	**0.9%**	**4.0%**	**2.4%**

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Shareholder Operations						
Legal and professional fees	2,106	463	1,525	(78.0%)	229.4%	(14.9%)
Investment related expenses	235	328	330	39.6%	0.6%	18.5%
Subscriptions	415	1,083	338	161.0%	(68.8%)	(9.8%)
Committee fees	10	1,392	1,380	Meaningless	(0.9%)	1,074.7%
Other	433	412	49	(4.8%)	(88.1%)	(66.4%)
Total Shareholder Operations	3,199	3,678	3,622	15.0%	(1.5%)	6.4%
Total	**52,968**	**53,882**	**55,817**	**1.7%**	**3.6%**	**2.7%**

Source: The audited financial statements for the fiscal years 2018G, 2019G and 2020G, and management information for the year 2020G.

Note: "It is meaningless" means that the increase is more than 500% or the decrease is more than 500%. "N/A" in the above table means that the percentage of increase or decrease is not calculated due to the presence of "zeroes".

Insurance Operations

Personnel costs include basic salaries, transportation and accommodation allowances. Staff costs constituted 74.6%, 65.5% and 63.1% of the total general and administrative expenses in 2018G, 2019G and 2020G, respectively. The reason for the relatively high cost of employees during the fiscal year 2018G is the increase in the number of employees by 28 employees. Staff costs decreased by 10.7% from SAR 39.5 million in 2018G to SAR 35.3 million in 2019G, and staff costs did not witness material fluctuations between 2019G and 2020G and this decrease was due to the non-recording of accrued bonuses for the years 2019G and 2020G. It should be noted that the significant decrease in the number of employees between 2019G and 2020G did not result in significant savings in personnel costs due to the appointment of 13 employees in the sales team.

Depreciation expense relates to Enaya Company property and equipment and fluctuations in the depreciation balance are mainly related to the movement in the balance of computer equipment, furniture and office supplies. Depreciation increased by 19.7% from SAR 0.8 million in 2018G to SAR 1.0 million in 2019G. This was the result of the additions of fixed assets during that period. Depreciation expenses did not witness substantial fluctuations between 2019G and 2020G.

The amortization expense relates to intangible assets which relate to computer software and licenses used for the insurance operations of the Merged company.

Represents rent expenses paid for the head office in Jeddah and the Riyadh branch. Rental expenses increased by 2,803.1% from SAR 0.2 million in 2018G to SAR 4.6 million in 2019G. This was as a result of the non-recording of rental expenses for the year 2018G due to the litigation between Enaya Company and the lessor, and the rent of previous years was paid after the litigation issue was completed. Rental expenses decreased by 40.5% from SAR 4.6 million in 2019G to SAR 2.8 million in 2020G. This decrease is attributed to the application of IFRS 16 "Lease Contracts".

Legal and professional fees mainly consist of external audit fees and actuary fees in addition to other fees related to legal advice and licenses. These fees increased by 30.1% from SAR 1.7 million in 2018G to SAR 2.2 million in 2019G, primarily due to the increase in claims management advisory services by SAR 0.6 million. The fees increased by 51.2% from SAR 2.2 million in 2019G to SAR 3.3 million in 2020G, to a professional care company incurring a professional fee of SAR 0.5 million for the services of implementing the international standards No. (17) and No. (9). The management clarified to Enaya Company that the project was later halted as a result of the Merger.

Repair and maintenance costs mainly relate to the maintenance of computer hardware and software, electrical equipment and other equipment. Repair and maintenance costs increased by 18.9% from SAR 2.5 million in 2018G to SAR 2.9 million in 2019G. This is mainly due to software maintenance to meet cyber security requirements following directives by SAMA. Repair and maintenance costs decreased by 6.5% to SR 2.7 million in 2020G. This decrease is due to the fact that Enaya Company did not incur additional expenses such as generators and diesel expenses to generate electricity for the headquarters in Jeddah, where the electricity was cut due to the issue of litigation between Enaya Company and the lessor.

Marketing expenses mainly relate to expenses for advertising, promotion and other marketing activities.

Other expenses for insurance operations mainly include utilities expenses, communications expenses, subscriptions, publications and expenses related to IFRS 16. Other expenses decreased by 13.0% from SAR 3.7 million in 2018G to SAR 3.3 million in 2019G mainly due to the decrease in utilities, subscriptions and publications in the course of Enaya Company's normal business. Other expenses increased by 66.9% from SAR 3.3 million in 2019G, it increased to SAR 5.4 million in 2020G. This resulted from an increase in electricity expenses and adjustments for the application of IFRS 16 "Lease Contracts" in addition to some violations imposed on Enaya Company by SAMA, amounting to SAR 0.3 million in year 2020G.

Shareholder Operations

Legal and professional fees for shareholder operations relate to audit fees and other professional fees. Legal and professional fees for shareholders' operations decreased by 78.0% from SAR 2.1 million in 2018G to SAR 0.5 million in 2019G, mainly due to fees received by financial advisors regarding capital reduction, governance advisory expenses and examination of the control environment in 2018G that were not incurred in year 2019G. Professional and legal fees increased by 229.4% from SAR 0.5 million in 2019G to SAR 1.5 million in 2020G. This is largely due to the fees that the financial advisors charged for the capital reduction.

The investment related expenses represent the fees paid to Saudi Fransi Capital for managing Enaya Company's portfolio. The increase and decrease in the balance of investment related expenses during the period under analysis is due to the increase and decrease in the fees paid to Saudi Fransi Capital.

Subscription fees related to shareholders' operations increased by 161.0% from SAR 0.4 million in 2018G to SAR 1.1 million in 2019G. This resulted mainly from fees paid to the CMA in connection with the follow-up to the rights issue. Subscription fees decreased by 68.8% from SAR 1.1 million in 2019G to SAR 0.3 million in the corresponding period of 2020G due to Enaya Company not incurring fees as it incurred in 2019G.

Committee fees included the remuneration of the Board of Directors and other committees. Committee fees increased from SAR 10,000 in 2018G to SAR 1.4 million in 2019G. Whereas, the Board members did not receive allowances before 2019G. Committee fees did not witness substantial fluctuations between 2019G and 2020G.

Other expenses for shareholders' operations included expenses incurred in connection with general assembly meetings, banking services fees and others. Other expenses did not witness material fluctuations between 2018G and 2019G. Other expenses decreased by 88.1% from SAR 0.4 million in 2019G to SAR 49,000 in 2020G. This is mainly due to the non-renewal of the executive managers' insurance and lower bank commissions.

5.5.1.8 Commission income on deposits

Shareholder Operations

Commission income on deposits increased by 73.2% from SAR 3.8 million in 2018G to SAR 6.7 million in 2019G. This resulted from an increase in the value of investments held to maturity. Commission income on deposits decreased by 34.0% from SAR 6.7 million in 2019G to SAR 4.4 million in 2020G. This decrease is attributed to the decline in returns from Murabaha deposits.

5.5.1.9 Realized and unrealized profits from investments

Shareholder Operations

Realized and unrealized gains and losses on investments were related to mutual funds and profit through the sale and purchase of shares (mainly including shares related to Saudi Aramco). The realized profits of SAR 0.1 million during the year 2020G relate to the realization of profits from the exclusion of the investments of Saudi Aramco. Whereas, the unrealized profit for the year 2020G of SAR 0.2 million relates to the positive change in the fair value of both mutual funds and Saudi government bonds.

5.5.1.10 Other revenues

Other revenues amounting to SAR 1.5 million in the year 2020G, relate to Enaya Company's share of the Umrah insurance agreement that was signed during the year 2020G. This agreement includes providing medical insurance services to foreign pilgrims traveling to the Kingdom of Saudi Arabia to perform Hajj and Umrah.

5.5.1.11 Zakat

The calculation of zakat and income tax has been changed as a result of the issuance of a circular by SAMA on July 17, 2019G. Where the recognition of zakat and income tax in the statement of changes in equity was under retained earnings, and this circular issued by SAMA resulted in the recognition of zakat and income tax in the income statement.

Enaya Company has amended its accounting policy related to Zakat and started applying the International Accounting Standard - Income Taxes "International Accounting Standard No. (12)" and International Financial Reporting Standard No. (21) Taxes in relation to Zakat. Enaya Company has amended the effect of this change in the accounting policy related to zakat retrospectively. This change resulted in a decrease in the recorded income for the fiscal year ending on December 31, 2018G by SAR 2.4 million. This change had no impact on the statement of cash flows for the year ended December 31, 2018G.

zakat Status

Enaya Company submitted zakat returns for the years up to the year ending December 31, 2019G and obtained a zakat certificate.

The Zakat, Tax and Customs Authority issued the final assessment for the years from 2011G to 2014G, in which the Enaya Company demanded an additional zakat amount of SAR 12.545 million. During 2017G, Enaya Company submitted an objection to the Appeal Committee for Zakat and Tax Violations and Disputes against the decision of the Initial Objection Committee for the years from 2011G to 2014G and submitted a bank guarantee of SAR 12.545 million related to additional zakat obligations.

During the year, the Appeal Committee for Zakat and Tax Disputes and Violations issued a decision regarding the above-mentioned years, the decision approved some points, reducing the Zakat obligation to 2.1 million Saudi riyals. The Zakat, Tax and Customs Authority is in the process of issuing an amended Zakat assessment based on the decision of the Appeal Committee and the issuance of the registered bank guarantee against the obligation.

In addition, during the year, the Zakat, Tax and Customs Authority issued an assessment for the years 2015G to 2018G in which it demanded an additional Zakat amount of SAR 9.59 million. Enaya Company has submitted its objection to the assessment of the Zakat, Tax and Customs Authority, and Enaya Company is awaiting the review of the Zakat, Tax and Customs Authority for assessment.

The zakat base was calculated based on Enaya Company's understanding of the zakat regulations in force in the Kingdom of Saudi Arabia. Zakat regulations are subject to different interpretations and the assessments that will be issued by the Zakat, Tax and Customs Authority may differ from the Zakat returns submitted by Enaya Company. Zakat is applied to 81% of shareholders, while tax is applied to 19% of shareholders.

5.6 Statement of Financial Position

The following table shows a summary of the statement of financial position as of December 31, 2018G, 2019G and 2020G.

Table No. (30): Summary of the statement of financial position

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Total assets	230,638	345,159	315,981	49.7%	(8.5%)	17.0%
Total Liabilities	174,572	195,795	194,246	12.2%	(0.8%)	5.5%
Total Equity	56,066	149,364	121.735	166.4%	(18.5%)	47.4%
Total Liabilities and Equity	**230,638**	**345,159**	**315,981**	**49.7%**	**(8.5%)**	**17.0%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

5.6.1 Assets

The following table shows the details of the statement of financial position as of December 31, 2018G, 2019G and 2020G.

Table No. (31): Assets

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Cash and cash equivalent	56,721	77,375	115,226	36.4%	48.9%	42.5%
Short Term Murabaha Deposits	82,882	76,036	40,068	(8.3%)	(47.3%)	(30.5%)
Net debt	17,429	44,859	49,116	157.4%	9.5%	67.9%
Reinsurance receivables	-	2,995	191	N/A	(93.6%)	N/A
Reinsurance shares of outstanding claims	5,857	1,034	119	(82.3%)	(88.5%)	(85.7%)
Reinsurers' share of incurred but not reported claims	2,103	94	-	(95.5%)	(100.0%)	(100.0%)
Reinsurers' share of the premium deficiency reserve	610	-	-	(100.0%)	N/A	(100.0%)
Prepaid expenses and other assets	15,381	14,975	6,780	(2.6%)	(54.7%)	(33.6%)
Costs of acquiring deferred insurance policies	1,035	2,851	3,230	175.5%	13.3%	76.7%
Investments	12,695	72,950	68,376	474.6%	(6.3%)	132.1%
Property and equipment, net	2,446	2,392	2,173	(2.2%)	(9.2%)	(5.7%)
Intangible assets, net	1,161	1,106	1,082	(4.7%)	(2.2%)	(3.5%)
Right to use assets, net	-	-	2,743	N/A	N/A	N/A
Statutory deposit	30,000	45,000	22,500	50.0%	(50.0%)	(13.4%)
Income accrued commission on statutory deposit	2,318	3,492	4,377	50.6%	25.3%	37.4%
Total assets	**230,638**	**345,159**	**315,981**	**49.7%**	**(8.5%)**	**17.0%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "N/A" in the above table means that the ratio of rise or fall is not calculated due to the presence of "zeroes".

Assets mainly include cash and cash equivalents, short-term Murabaha deposits, insurance receivables and investments, as these assets constituted 73.6%, 78.6% and 86.3% of the total assets as on December 31, 2018G, 2019G and 2020G, respectively.

5.6.1.1 Cash and cash equivalent

The following table shows cash and cash equivalents as at December 31, 2018G, 2019G and 2020G.

Table No. (32): Cash and cash equivalents

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Insurance Operations						
Cash on hand and at banks	16,484	14,590	13,641	(11.5%)	(6.5%)	(9.0%)
	16,484	**14,590**	**13,641**	**(11.5%)**	**(6.5%)**	**(9.0%)**
Shareholder Operations						
Cash at banks	21	18	79	(14.3%)	338.9%	94.0%
Murabaha deposits due within 3 months from the date of acquisition	40,216	62,767	101,506	56.1%	61.7%	58.9%
	40,237	**62,785**	**101,585**	**56.0%**	**61.8%**	**58.9%**
Total	**56,721**	**77,375**	**115,226**	**36.4%**	**48.9%**	**42.5%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Cash on hand and at banks

Cash at banks refers to the current accounts that are deposited in the accounts of the various banks that Enaya Company deals with, and through which payments and withdrawals are made.

Murabaha deposits due within 3 months from the date of acquisition

Enaya Company maintains Murabaha deposits with branches of licensed local and foreign banks in the Kingdom. Investments in Murabaha deposits are in Saudi riyals and have an original maturity period of not more than three months. The return on these deposits was 0.7% as of December 31, 2020G. The movement in the balance of Murabaha deposits due within 3 months from the date of acquisition is mainly related to the date of maturity of deposits and the addition of new deposits.

Total Cash Flow

Total cash and cash equivalents increased by 36.4% from SAR 56.7 million as of December 31, 2018G to SAR 77.4 million as of December 31, 2019G. This is due to a capital increase of SAR 200.0 million through a rights issue. The increase was partially compensated by a net loss before zakat of SAR 101.4 million during 2019G. Cash and cash equivalents increased by 48.9% from SAR 77.4 million as on December 31, 2019G, to SAR 115.2 million as on December 31, 2020G. This rise was driven by the recovery of maturing and short-term Murabaha deposits and the withdrawal of excess statutory deposits to meet the targeted liquidity requirements.

5.6.1.2 Short Term Murabaha Deposits

Short-term Murabaha deposits represent deposits with local banks with maturities of more than three months but less than a year. The commission rate on short-term Murabaha deposits ranged between 0.9% and 1.2% during the fiscal years from December 31, 2018G to December 31, 2020G.

Short-term Murabaha deposits decreased by 8.3% from SAR 82.9 million as of December 31, 2018G to SAR 76.0 million as of December 31, 2019G. This is due to the fact that these deposits are kept to generate income from Murabaha returns in addition to the requirements of any potential cash flow which requires liquidation of those deposits. Deposits decreased by 47.3% from SAR 76.0 million as of December 31, 2019G, to SAR 40.1 million as of December 31, 2020G. This is due to the recovery of deposits of SAR 36 million that matured before the end of the year and reinvested as deposits maturing within 3 months from the date of acquisition.

5.6.1.3 Debit premiums, net

The following table shows the details of debit premiums, net as on December 31, 2018G, 2019G and 2020G.

Table No. (33): Debit premiums, net

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Policyholders	16,635	44,929	32,122	170.1%	(28.5%)	39.0%
Brokers and agents	15,211	12,472	11,184	(18.0%)	(10.3%)	(14.3%)
Related parties	1,911	10,748	25,481	462.4%	137.1%	265.2%
Total City Premiums	**33,757**	**68,149**	**68,787**	**101.9%**	**0.9%**	**42.7%**
Provision for doubtful city premiums	(16,328)	(23,290)	(19,671)	42.6%	(15.5%)	9.8%
Gross debit premiums, net	**17,429**	**44,859**	**49,116**	**157.4%**	**9.5%**	**67.9%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

The total premiums receivable from policyholders constituted 49.3%, 65.9% and 46.7% of the total premium's receivable as on December 31, 2018G, 2019G and 2020G, respectively.

The total premiums receivable from brokers and agents represented 45.1%, 18.3% and 16.3% of the total premium's receivable as on December 31, 2018G, 2019G and 2020G, respectively.

Total premiums receivable increased by 101.9% from SAR 33.8 million as on December 31, 2018G to SAR 68.1 million as on December 31, 2019G. This was in line with the increase in premiums written during the same year, after lifting the suspension by SAMA during 2019G. The total premiums receivable did not witness significant fluctuations between December 31, 2019G and 2020G.

5.6.1.4 Movement in the provision for doubtful premiums

The following table shows the details of the movement in the provision for doubtful premiums as on December 31, 2018G, 2019G and 2020G.

Table No. (34): Movement in the provision for doubtful premiums

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Balance at the beginning of the year	16,469	16,328	23,290	(0.9%)	42.6%	18.9%
(Refund) / Provision during the year	(122)	6,962	(3,619)	Meaningless	(152.0%)	444.6%
Eliminations during the year	(19)	-	-	(100.0%)	N/A	(100.0%)
Balance at the end of the year	**16,328**	**23,290**	**19,671**	**42.6%**	**(15.5%)**	**9.8%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase percentage is more than 500% or the decrease percentage is more than 500%." And "N/A" in the above table means that the increase or decrease percentage is not calculated due to the presence of "zeroes".

5.6.1.5 Reinsurers' receivables

The following table shows the details of the reinsurers' receivables as on December 31, 2018G, 2019G and 2020G.

Table No. (35): Reinsurance receivables

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Accounts receivable	24,941	31,875	32,871	27.8%	3.1%	14.8%
Payables	(25,880)	(25,880)	(25,880)	-	-	-
Provision for receivables for city reinsurers	-	(3,000)	(6,800)	N/A	126.7%	N/A
Total reinsurance receivables, net	**(939)**	**2,995**	**191**	**(419.0%)**	**(93.6%)**	**N/A**

Source: Management Information.

Note: "N/A" in the above table means that the ratio of rise or fall is not calculated due to the presence of "zeroes".

The reinsurance receivable relates to the excess loss agreement with the reinsurance company, American Reinsurance Group. The agreement expired during 2018G. According to the agreement, the reinsurer bears any excess loss claims from the premiums included in the agreement, and this led to an increase in the balance of the reinsurance receivables between December 31, 2018G and December 31, 2020G. On the other hand, the balance of accounts payable to reinsurers remained stable between December 31, 2018G and 2020G, reaching the maximum limit based on fluctuation rates. According to the agreement, payment to the American Reinsurance Group is required after deducting the balance of the accounts receivable. Based on the letter dated August 2, 2021G, it was agreed to pay a full and final settlement of SR 0.4 million by the American Reinsurance Group. However, as of December 31, 2020G, the provision for reinsurance receivables increased to SAR 6.8 million.

5.6.1.6 Reinsurance shares of outstanding claims

The share of reinsurers from the outstanding claims accounted for 13.2%, 4.8% and 0.2% of the total outstanding claims as on December 31, 2018G, 2019G and 2020G, respectively.

5.6.1.7 Reinsurance shares of claims incurred but not reported

The share of reinsurers in the incurred but not reported claims represented 13.2%, 0.5% and 0% of the total incurred and unreported claims as in 2018G, 2019G and 2020G, respectively.

5.6.1.8 Reinsurance shares of the insurance premium deficiency reserve

Enaya Company recorded the reinsurance share of the premium's deficit reserve by SAR 0.6 million as of December 31, 2018G. The share of reinsurers in the premium's deficit reserve was mainly related to the increase in the premium's deficit reserve from SAR 2.4 million as on December 31, 2018G to SAR 17.3 million as on December 31, 2019G.

5.6.1.9 Costs of acquiring deferred insurance policies

The following table details the costs of acquiring deferred insurance policies as of December 31, 2018G, 2019G and 2020G.

Table No. (36): Costs of acquiring deferred insurance policies

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Initial Balance	8,924	1,035	2,851	(88.4%)	175.5%	(43.5%)
Paid during the year	6,890	6,267	6,295	(9.0%)	0.4%	(4.4%)
Amortized during the year	(14,779)	(4,451)	(5,916)	(69.9%)	32.9%	(36.7%)
Balance at the end of the year	**1,035**	**2,851**	**3,230**	**175.5%**	**13.3%**	**76.7%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

The costs of acquiring deferred insurance policies increased by 175.5% from SAR 1.0 million as of December 31, 2018G to SAR 2.9 million as of December 31, 2019G. The costs of acquiring deferred insurance policies also increased by 13.3% from SAR 2.9 million as of December 31, 2019G to SAR 3.2 million as of December 31, 2020G. The increase in deferred policy acquisition costs was linked to the movement in net written premiums.

5.6.1.10 Investments

The following table shows the details of the investments as of December 31, 2018G, 2019G and 2020G.

Table No. (37): Investments

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Investments designated at fair value through income statement	7,695	12,780	8,047	66.1%	(37.0%)	2.3%
Investments held to maturity	5,000	60,170	60,329	Meaningless	0.3%	247.4%
Total	**12,695**	**72,950**	**68,376**	**474.6%**	**(6.3%)**	**132.1%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the percentage increase is more than 500% or the decrease percentage is more than 500%.

According to Enaya Company's investment policy, the investment portfolio should be divided between investments related to insurance operations and investments related to shareholders' operations, where the portfolios have different strategy and risk tolerance. The objective of the privatization policy is to manage investment risk and improve investment return.

Investments designated at fair value through income statement include investment in Saudi Aramco, Al Badr Murabaha Fund and Saudi Fransi IPO Fund. The balance of investments classified at fair value through the income statement increased by 66.1% from SAR 7.7 million as of

December 31, 2018G to SAR 12.8 million as of December 31, 2019G. This is mainly due to the subscription of Saudi Aramco by purchasing 138.4 thousand shares, amounting to SAR 4.9 million, during the year 2019G. The balance of investments classified at fair value through the income statement decreased by 37.0% to reach SAR 8.0 million due to the sale of Aramco shares and recording a profit of 0.2 million riyals in the income statement.

Al Badr Murabaha Fund is mainly represented in investments in Shariah-compliant financial instruments and Sukuk. As of December 31, 2020G, Enaya had 463,573 investment units, while the Saudi Fransi GCC IPO Fund is an open-ended fund that aims to achieve long-term capital growth through Sharia-compliant investment in IPOs in the GCC and newly listed Gulf stock market companies that have been listed for a period not exceeding five years.

Held-to-maturity investments consist of Saudi government bonds, whereby Enaya Company expanded its portfolio of held-to-maturity investments by SAR 60.1 million during 2019G by investing in Saudi government bonds that offered an average coupon rate of 3.5% as of December 31, 2020G. Bond gains or losses are recognized in the income statement when the investment is disposed of or its value is impaired. According to Enaya Company management, the current (fair) market value of the Saudi government sukuk is higher than the amortized costs on the Company's books. However, Enaya Company management indicated that at a later date, the entire bond portfolio was disposed of and a gain of SAR 5.4 million was achieved during the year 2021G. The proceeds from the sale were reinvested in deposits maturing within 3 months from the date of acquisition, in order to ensure compliance with the SAMA's regulations.

It is worth noting that Enaya Company liquidated its bond portfolio during the year 2021G, as Enaya Company achieved gains of SAR 5.4 million. Enaya has reinvested the proceeds of selling those investments in Murabaha deposits due within three months, in order to ensure compliance with the SAMA's regulations in this aspect.

5.6.1.11 Prepaid expenses and other assets

The following table shows details of prepaid expenses and other assets as on December 31, 2018G, 2019G and 2020G.

Table No. (38): Prepaid Expenses and Other Assets

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Insurance Operations						
Advance payments	1,624	1,619	2,968	(0.3%)	83.3%	35.2%
Deferred insurance brokers costs	-	-	899	N/A	N/A	N/A
Advance Payment Suppliers	2,557	2,921	473	14.2%	(83.8%)	(57.0%)
Input tax on value added	6,532	4,023	70	(38.4%)	(98.3%)	(89.6%)
Other	**3,549**	**4,090**	**1,546**	**15.2%**	**(62.2%)**	**(34.0%)**
	14,262	**12,653**	**5,956**	**(11.3%)**	**(52.9%)**	**(35.4%)**
Shareholder Operations						
accrued revenue	1,069	2,322	824	117.2%	(64.5%)	(12.2%)
Expenses paid in advance	50	-	-	(100.0%)	N/A	(100.0%)
	1,119	**2,322**	**824**	**107.5%**	**(64.5%)**	**(14.2%)**
Total prepaid expenses and other assets	**15,381**	**14,975**	**6,780**	**(2.6%)**	**(54.7%)**	**(33.6%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "N/A" in the above table means that the ratio of rise or fall is not calculated due to the presence of "zeroes".

Insurance Operations

Prepaid expenses and other assets for insurance operations include prepayments, deferred insurance broker costs, advances to suppliers, value-added input tax and others. Prepaid expenses for insurance operations decreased by 11.3% from SAR 14.3 million as on December 31, 2018G to SAR 12.7 million as on December 31, 2019G. This is primarily due to the low input tax on value added. The prepaid expenses for insurance operations also decreased again by 52.9% to reach SR 6.0 million as of December 31, 2020G. This resulted primarily in a decrease in advance payments to suppliers and a decrease in other prepaid expenses, in addition to the non-recording of input tax on value added as of December 31, 2020G.

Other prepaid expenses mainly include prepaid expenses in connection with rent, health insurance, staff accommodation, and computer hardware and software.

Shareholder Operations

Prepaid expenses for shareholder operations include accrued revenue and prepaid expenses. Prepaid expenses for shareholders' operations increased by 107.5% from SAR 1.1 million as on December 31, 2018G to SAR 2.3 million as on December 31, 2019G. Prepaid expenses decreased by 64.5% to SAR 0.8 million as of December 31, 2020G. This increase and decrease were driven by the changes in the accrued revenues.

5.6.1.12 Property and equipment, net

The following table shows the details of the net book value of property and equipment as of December 31, 2018G, 2019G and 2020G.

Table No. (39): property and equipment, net

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Improvements to rented buildings	349	172	5	(50.7%)	(97.1%)	(88.0%)
Computer equipment	1,040	1,442	1,678	38.7%	16.4%	27.0%
Motors	218	152	81	(30.3%)	(46.7%)	(39.0%)
Office furniture and fixtures	839	626	409	(25.4%)	(34.7%)	(30.2%)
Net book value	**2,446**	**2,392**	**2,173**	**(2.2%)**	**(9.2%)**	**(5.7%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Property and equipment comprise leasehold improvements, computer equipment, motor vehicles, furniture and office equipment. The net book value of property and equipment did not witness material fluctuations between December 31, 2018G and 2019G. The net book value of property and equipment decreased by 9.2% from SAR 2.4 million as on December 31, 2019G, to SAR 2.2 million as on December 31, 2020G. This decrease is mainly due to depreciation of SAR 1.0 million during the year ended December 31, 2020G.

5.6.1.13 Intangible assets, net

The following table shows the details of the net intangible assets as on December 31, 2018G, 2019G and 2020G.

Table No. (40): Intangible assets, net

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Cost	22,058	22,811	23,266	3.4%	2.0%	2.7%
Amortization	(20,897)	(21,705)	(22,184)	3.9%	2.2%	3.0%
Net book value	**1,161**	**1,106**	**1,082**	**(4.7%)**	**(2.2%)**	**(3.5%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Intangible assets include information technology software and licenses. Intangible assets did not witness significant fluctuations during the analysis periods.

5.6.1.14 Right to use assets, net

Enaya Company has implemented IFRS (16) as of the third quarter of 2020G. The application of the standard affects the statement of financial position by recognizing the right to use assets amounting to SAR 2.7 million and lease liabilities amounting to SAR 2.2 million as of December 31, 2020G.

5.6.1.15 Statutory deposit and accrued commission income on the statutory deposit

In accordance with the requirements of the Insurance Law in the Kingdom of Saudi Arabia, Enaya Company has deposited the equivalent of 15% of its paid-up capital with a bank specified by SAMA. This deposit is not available for withdrawal without the approval of SAMA, and the commission payable on this deposit is due to SAMA. On April 22, 2020G, Enaya Company reduced its capital by SAR 150 million, and Enaya Company did not withdraw the excess from the deposit, and on October 1, 2020G, Enaya Company received the approval of SAMA to withdraw the excess statutory deposit. On November 23, 2020G, Enaya Company withdrew the surplus. The statutory deposit balance as on December 31, 2020G is SAR 22.5 million (2019G: SAR 45 million).

5.6.2 Liabilities

The following table shows the details of the liabilities as of December 31, 2018G, 2019G and 2020G.

Table No. (41): Liabilities

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Accrued expenses and other liabilities	71,107	36,232	36,025	(49.0%)	(0.6%)	(28.8%)
Accounts payable to reinsurers	939	-	-	(100.0%)	N/A	(100.0%)
Unearned premiums	20,338	75,920	67,504	273.3%	(11.1%)	82.2%
Claims under settlement	44,408	21,431	39,307	(51.7%)	83.4%	(5.9%)
Claims incurred but not reported	15,943	18,493	12,974	16.0%	(29.8%)	(9.8%)
Insurance premium deficiency reserve	2,441	17,335	14,545	610.2%	(16.1%)	144.1%
Other technical reserves	572	1,460	326	155.2%	(77.7%)	(24.5%)
Provision for end of end of service benefits	5,808	5,934	4,970	2.2%	(16.2%)	(7.5%)
Lease commitments	-	-	2,218	N/A	N/A	N/A
Zakat and income tax	10,698	15,498	12,000	44.9%	(22.6%)	5.9%
Commission income due to SAMA	2,318	3,492	4,377	50.6%	25.3%	37.4%
Total Liabilities	**174,572**	**195,795**	**194,246**	**12.2%**	**(0.8%)**	**5.5%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "N/A" in the above table means that the ratio of rise or fall is not calculated due to the presence of "zeroes".

Liabilities mainly include accrued expenses, other liabilities, unearned premiums and outstanding claims. These liabilities constituted 77.8%, 68.2% and 73.5% of the total liabilities as on December 31, 2018G, 2019G and 2020G, respectively.

5.6.2.1 Accrued expenses and other liabilities

The following table shows details of accrued expenses and other liabilities as on December 31, 2018G, 2019G and 2020G.

Table No. (42): Accrued Expenses and Other Liabilities

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Insurance Operations						
Accounts payable to medical service providers	53,361	15,947	15,885	(70.1%)	(0.4%)	(45.4%)
Accounts payable to suppliers	557	924	1,513	65.9%	63.7%	64.8%
Inspection and supervision fees	119	653	1,760	448.7%	169.5%	284.6%
accrued expenses	4,639	11,593	14,900	149.9%	28.5%	79.2%
Accrued insurance brokers expenses	-	-	239	N/A	N/A	N/A
Other requirements	7,786	5,877	571	(24.5%)	(90.3%)	(72.9%)
Total	**66,462**	**34,994**	**34,868**	**(47.3%)**	**(0.4%)**	**(27.6%)**
Shareholder Operations						
Receivables and other payables	4,645	79	19	(98.3%)	(75.9%)	(93.6%)
Dues and payables to the General Assembly	-	1,159	1,377	N/A	18.8%	N/A
Total	**4,645**	**1,238**	**1,396**	**(73.4%)**	**12.8%**	**(45.2%)**
Total accrued expenses and other liabilities	**71,107**	**36,232**	**36,025**	**(49.0%)**	**(0.6%)**	**(28.8%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "N/A" in the above table means that the ratio of rise or fall is not calculated due to the presence of "zeroes".

Insurance Operations

Accrued expenses and other liabilities for insurance operations include payables to medical service providers, payables to suppliers, examination and supervision fees, accrued expenses and other liabilities. Accrued expenses and other liabilities for insurance operations decreased by 47.3% from SAR 66.5 million as of December 31, 2018G to SAR 35.0 million as of December 31, 2019G. This resulted, in the first place, from the decrease in the accounts payable to medical service providers, after the decrease in the volume of claims during the year 2019G. The accrued expenses and other liabilities of insurance operations did not witness material fluctuations between December 31, 2019G and December 31, 2020G.

Payables to medical service providers primarily represent amounts payable to hospitals and clinics affiliated with the medical network provider of Enaya Company. It also includes payables to policyholders, which represent claims that have not yet been settled by Enaya Company and partial cancellation of policies by policyholders. According to Enaya Company management, the balance fluctuates based on the number of claims raised during the normal course of business. The balance of SAR 53.4 million on December 31, 2018G was mainly due to the volume of claims processed during the year 2018G. Accounts payable to medical service providers did not witness substantial fluctuations between 2019G and 2020G.

Payables to suppliers includes social security payables and trade creditors due to non-medical service providers such as ICT and other suppliers with credit terms ranging from 30 to 60 days. The changes in payables to suppliers were largely in line with the movement of trade payables, which increased from SAR 0.3 million as on December 31, 2019G to SAR 0.6 million as on December 31, 2020G, mainly due to expenses incurred for information and communication technology services.

The examination and supervision fees represent the fees payable to SAMA and the Social Security Council, at a value of 0.5% and 1.0% of the value of the total written premiums, respectively. Fluctuations in inspection and supervision fees were in line with the movement in gross unearned premiums and net unearned premiums. However, during 2020G, the balance increased by SAR 1.1 million as a result of the Deferred Payments System adopted by SAMA and the Social Security Council as part of the Business Support Initiative, during the period of the Corona pandemic.

Accrued expenses principally include provisions for accrued employee benefits, employee leave, sales commissions to agents, brokers and employees, as well as accrued expenses for utilities, maintenance expenses, rental expenses and other accruals. The accrued expenses increased to SAR 11.6 million as of December 31, 2019G, and this was mainly due to the increase in the accumulated rental expenses by SAR 4.5 million as a result of non-payment of rent for the head office in Jeddah for two years as the matter was under litigation. In addition to the provision for sales commissions for agents, brokers and employees by SAR 2.3 million due to the increase in business created through intermediaries due to the lifting of the suspension of business by SAMA during 2019G. The accrued expenses continued to rise to SAR 14.9 million as of December 31, 2020G, due to an increase in allocations for sales commissions for agents, brokers and employees by SAR 6.3 million. This is due to the recording of the amounts of provision for sales commissions upon collection of installments in accounts payable. The increase in the due balances as on December 31, 2020G was offset by a decrease in the payable rental expenses by an amount of SAR 4.6 million as on December 31, 2020G due to the application of IFRS 16) lease.

Other liabilities represent payables related to sales commissions to agents, brokers and employees, as well as net payables related to value added tax.

Shareholder Operations

Accrued expenses and other liabilities of shareholders' operations mainly represent provisions for external audit fees, directors' fees and general assembly meetings. The total accrued expenses and other liabilities of shareholders' operations decreased by 73.4% from SAR 4.6 million as of December 31, 2018G to SAR 1.2 million as of December 31, 2019G. The balance of SAR 4.6 million as on December 31, 2018G represented the accrued expenses in connection with the expenses of the process of increasing the capital of Enaya Company through a rights issue during the year 2018G. Accrued expenses and other liabilities of shareholders' operations increased by 12.8% to reach SAR 1.4 million as of December 31, 2020G. It is worth noting that Enaya Company started recording dues and bonuses for board members during 2019G, and these dues amounted to SAR 1.2 million and SAR 1.4 million as on December 31, 2019G and December 31, 2020G, respectively.

5.6.2.2 Unearned Premiums

The following table shows the details of unearned premiums as of December 31, 2018G, 2019G and 2020G.

Table No. (43): Unearned Premiums

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Balance at the beginning of the year	148,377	20,338	75,920	(86.3%)	273.3%	(28.5%)
Premiums written during the year	115,886	154,028	165,874	32.9%	7.7%	19.6%
Premiums earned during the year	(243,925)	(98,446)	(174,290)	(59.6%)	77.0%	(15.5%)
Balance at the end of the year	**20,338**	**75,920**	**67,504**	**273.3%**	**(11.1%)**	**82.2%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Unearned premiums increased by 273.3% from SAR 20.3 million as of December 31, 2018G to SAR 75.9 million as of December 31, 2019G. This is due to the increase in written premiums by 32.9% during the year 2019G. Unearned premiums decreased by 11.1% from SAR 75.9 million as of December 31, 2019G to SAR 67.5 million as of December 31, 2020G. This is mainly due to the increase in premiums earned during the fiscal year 2020G.

5.6.2.3 Net outstanding claims and reserves

The following table shows the details of net claims and outstanding reserves for the facial years ended on December 31, 2018G, 2019G and 2020G.

Table No. (44): Net claims and reserves under settlement

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Claims under settlement	44,408	21,431	39,307	(51.7%)	83.4%	(5.9%)
Claims incurred but not reported	15,943	18,493	12,974	16.0%	(29.8%)	(9.8%)
	60,351	**39,924**	**52,281**	**(33.8%)**	**31.0%**	**(6.9%)**
Insurance premium deficiency reserve	2,441	17,335	14,545	610.2%	(16.1%)	144.1%
Other technical precautions	572	1,460	326	155.2%	(77.7%)	(24.5%)
	63,364	**58,719**	**67,152**	**(7.3%)**	**14.4%**	**2.9%**
Less:						
Reinsurers' share of outstanding claims reserve	(5,857)	(1,034)	(119)	(82.3%)	(88.5%)	(85.7%)
Reinsurers' share of incurred but not reported claims	(2,103)	(94)	-	(95.5%)	(100.0%)	(100.0%)
Reinsurers' share of the insurance premium deficiency reserve	(610)	-	-	(100.0%)	N/A	(100.0%)
Net claims and reserves outstanding	**54,794**	**57,591**	**67,033**	**5.1%**	**16.4%**	**10.6%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Outstanding Claims

Net outstanding claims increased by 5.1% from SAR 54.8 million as of December 31, 2018G to SAR 57.6 million as of December 31, 2019G. This is mainly due to the improvement in claims processing in addition to the decrease in the volume of claims, after the lifting of the ban on insurance business by SAMA during the year 2019G. Total outstanding claims increased by 16.4% from SAR 57.6 million as of December 31, 2019G to SAR 67.0 million as of December 31, 2020G. This is mainly due to the delay in submitting claims during the period ending on December 31, 2020G, due to the impact of the Corona pandemic on Enaya Company's business.

Claims incurred but not reported

Total incurred but not reported claims increased by 16.0% from SAR 15.9 million as of December 31, 2018G to SAR 18.5 million as of December 31, 2019G. This is due to the increase in premiums earned during the period between December 31, 2018G, and 2019G, as incurred and unreported claims usually rise with the increase in the earned premiums. Total claims incurred but not reported decreased by 29.8% from SAR 18.5 million as of December 31, 2019G to SAR 13.0 million as of December 31, 2020G. This is due to the early receipt of data of outstanding claims by the third party, as Enaya Company appointed a third party to process claims instead of processing claims internally (through Enaya Company employees) in the year ending on December 31, 2020G, and this resulted in an increase in outstanding claims A decrease in claims incurred but not reported.

Insurance premium deficiency reserve

It is a reserve created to mitigate the impact of any expected shortfall. The provision is estimated by the actuary after taking into consideration several factors and assumptions related to future events and conditions and the expected loss ratio for the unexpired portion of the policy risk. It should be noted that the insurance premium deficiency reserve has substantially increased from SAR 2.4 million as on December 31, 2018G to SAR 17.3 million as on December 31, 2019G due to the continuous increase in the potential loss rate, which increased from 109.0% in 2018G to 121.0% in 2019G. This is due to the claims and settlements that occurred during the 2019G financial year for business related to previous periods. The balance of the insurance premium deficiency reserve as of December 31, 2020G decreased to SAR 14.5. According to Enaya management, the mentioned decrease is due to a decrease in the combined ratio used in calculating the insurance premium deficiency reserve by 2.0% and unearned premiums by SAR 8.4 million from 2019G to 2020G. Likewise, the potential loss rate decreased from 121.0% in 2019G to 87.3% in 2020G.

Other technical precautions

These provisions are mainly related to the reserves of unexpired risks, which are amounts allocated at the end of the financial period to meet the obligations that may arise after the end of that period for insurance contracts issued before that date. These provisions fluctuate in the course of a normal employment contract.

5.6.2.4 Provision for end of service benefits

The following table shows the details of the provision for end of service benefits as on December 31, 2018G, 2019G and 2020G.

Table No. (45): Provision for End of Service Benefits

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Balance at the beginning of the year	4,207	5,808	5,934	38.1%	2.2%	18.8%
Charged to the income statement	2,834	1,159	1,520	(59.1%)	31.1%	(26.8%)
Charged to the statement of other comprehensive income	(774)	550	(784)	(171.1%)	(242.5%)	0.6%
Paid End of Service Benefits	(459)	(1,583)	(1,700)	244.9%	7.4%	92.5%
Final balance	**5,808**	**5,934**	**4,970**	**2.2%**	**(16.2%)**	**(7.5%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Enaya Company adopts an end of service benefits plan for employees in accordance with the applicable Saudi labor regulations. Accruals are determined based on actuarial valuation using the unit-accrued estimation method with an obligation to make bonus payments when due. The balance did not witness material fluctuations between December 31, 2018G and 2019G. The End of Service Benefits balance decreased by 16.2% from SAR 5.9 million as of December 31, 2019G to SAR 5.0 million as of December 31, 2020G. This is primarily due to the decrease in the number of employees, after Enaya Company shifted from internal the claims management service to external third-party claims management service, which led to the termination of the service of most of the internal claim's management employees.

5.6.2.5 Rental liabilities

Enaya Company has implemented IFRS (16) as of the third quarter of 2020G. The application of the standard affects the statement of financial position by recognizing the right to use assets amounting to SAR 2.7 million and lease liabilities amounting to SAR 2.2 million as of December 31, 2020G.

5.6.2.6 Zakat and income tax

Zakat status

Enaya Company submitted zakat returns for the past years up to the year ending December 31, 2020G, and has received zakat returns until the year 2020G.

The Zakat, Tax and Customs Authority issued the final assessment for the years from 2011G to 2014G, in which the Enaya Company demanded an additional zakat amount of SAR 12.545 million. During 2017G, Enaya Company submitted an objection to the Appeal Committee for Zakat and Tax Violations and Disputes against the decision of the Initial Objection Committee for the years from 2011G to 2014G and submitted a bank guarantee of SAR 12.545 million related to additional zakat obligations, whereby the bank guarantee was issued against a Murabaha deposit for Enaya Company of SAR 14.0 million at the Saudi British Bank.

During the year, the Appeal Committee for Zakat and Tax Disputes and Violations issued a decision regarding the above-mentioned years, the decision approved some points, reducing the Zakat obligation to SAR 2.1 million. The Zakat, Tax and Customs Authority is in the process of issuing an amended Zakat assessment based on the decision of the Appeal Committee and the issuance of the registered bank guarantee against the obligation.

Moreover, during the year, the Authority issued an assessment for the years 2015G to 2018G in which it demanded an additional Zakat amount of SAR 9.59 million. Enaya Company submitted its objection to the assessment of the Zakat, Tax and Customs Authority and Enaya Company is awaiting the review of the Zakat, Tax and Customs Authority for assessment.

The zakat base was calculated based on Enaya Company's understanding of the zakat regulations in force in the Kingdom of Saudi Arabia. Zakat regulations are subject to different interpretations and the assessments that will be issued by the Zakat, Tax and Customs Authority may differ from the Zakat returns submitted by Enaya Company. Zakat is applied to 81% of shareholders, while tax is applied to 19% of shareholders.

5.6.2.7 Commission income due to SAMA

In line with Article No. (58) of the Executive Regulations of the Cooperative Insurance Companies Control Law issued by SAMA, the statutory deposit ratio must be 10% of the paid-up capital, and SAMA has the right to raise the ratio to a maximum of 15% according to the risks involved. faced by a care company. Enaya Company has deposited the amount of SAR 30.0 million in a bank designated by SAMA, and this statutory deposit cannot be withdrawn without the approval of SAMA, bearing in mind that the commission due on this deposit is payable to SAMA.

On January 16, 2019G, Enaya Company increased its capital by SAR 200.0 million, and on April 25, 2019G, it deposited an additional deposit of SAR 15.0 million. Accordingly, the statutory deposit amounted to SAR 45.0 million, equivalent to 15.0% of the paid-up capital.

On April 22, 2020G, Enaya Company reduced its capital by SAR 150.0 million and did not withdraw the excess deposits amounting to SAR 22.5 million.

On October 1, 2020G, Enaya Company obtained the approval of SAMA to withdraw the excess deposit, and accordingly the said deposit was withdrawn on November 23, 2020G. As the statutory deposit as of December 31, 2020G, amounted to SAR 22.5 million, which represents 15% of the current capital of Enaya Company.

5.7 Contingent Obligations and Undertakings

As on December 31, 2020G, Enaya Company has a letter of guarantee amounting to SAR 12.5 million in favor of the Zakat, Tax and Customs Authority, which was issued against a Murabaha deposit for Enaya Company in the amount of SAR 14.0 million with the Saudi British Bank. Enaya Company had no outstanding capital commitments as of December 31, 2020G.

5.8 Shareholders' Equity

The following table shows the details of shareholders' equity as of December 31, 2018G, 2019G and 2020G.

Table No. (46): Shareholders' Equity

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Capital	100,000	300,000	150,000	200.0%	(50.0%)	22.5%
Accumulated losses	(44,708)	(150,860)	(29,273)	237.4%	(80.6%)	(19.1%)
Total Shareholders' Equity	**55,292**	**149,140**	**120,727**	**169.7%**	**(19.1%)**	**47.8%**
Insurance related end-of-service benefits reserve	774	224	1,008	(71.1%)	350.0%	14.1%
Total Equity	**56,066**	**149,364**	**121,735**	**166.4%**	**(18.5%)**	**47.4%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Capital

On May 9, 2018G, the Board of Directors recommended Enaya Company to reduce its capital from SAR 200.0 million to SAR 100.0 million divided into 10 million shares by reducing or canceling them with accumulated losses. At the EGM meeting held on Ramadan 26, 1439H corresponding to June 10, 2018G, the shareholders of Enaya Company agreed to this reduction and the required changes in the Memorandum of Association of Enaya Company related to this, accordingly, the capital and accumulated losses were reduced by SAR 100.0 million. The share capital was reduced by reducing one share out of every two shares owned by the shareholder.

On December 12, 2018G, the shareholders of Enaya Company agreed in the EGM meeting to increase the capital by an amount of SAR 200.0 million through the issuance of initial rights shares, and the additional capital was deposited on January 16, 2019G. Enaya Company incurred a transaction cost of SAR 5.4 million related to the capital increase, which was charged directly to the statement of changes in equity as at December 31, 2018G.

On January 18, 2020G, the Board of Directors recommended Enaya Company to reduce its capital from SAR 300.0 million to SAR 150.0 million, divided into 15 million shares, in order to compensate for the accumulated losses. In the EGM meeting held on Shaaban 29, 1441H corresponding to April 22, 2020G, the shareholders of Enaya Company approved this reduction and the required changes in the Articles of Association of Enaya Company in relation to this reduction. Accordingly, Enaya Company's capital and accumulated losses were reduced by SAR 150.0 million. The share capital was reduced by reducing one share for every two shares held by the shareholder. The purpose of the capital reduction is to restructure the capital position of Enaya Company in order to comply with the Companies Law. The capital reduction will have no effect on Enaya Company's financial obligations.

As of December 31, 2020G, the authorized, subscribed and paid-up capital amounted to SAR 150.0 million, divided into 15 million shares, and the value of each share is SAR 10.

Accumulated losses

Enaya Company recorded accumulated losses of SAR 44.7 million, SAR 150.9 million and SAR 29.3 million as on December 31, 2018G, 2019G and 2020G, respectively. These losses were compensated by reducing the capital by SAR 100.0 million and SAR 150.0 million during 2018G and 2020G, respectively.

End of service indemnity remeasurement reserve

The end of service indemnity remeasurement reserve represents the actuarial gain or loss in relation to the increase or decrease in the forecast used to evaluate end of service benefits.

5.9 Cash Flow

The following table shows the cash flow details for the facial years ended on December 31, 2018G, 2019G and 2020G.

Table No. (47): Cash Flows

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Net cash generated used in operational activities	(42,533)	(110,081)	(22,772)	158.8%	(79.3%)	(26.8%)
Net cash from/ (used in) investment activities	71,843	(69,265)	62,238	(196.4%)	(189.9%)	(6.9%)
Net cash (used in) / from financing activities	(5,401)	200,000	(1,615)	Meaningless	(100.8%)	(45.3%)
Change in cash balances and the like	23,909	20,654	37,851	(13.6%)	83.3%	25.8%
Cash and cash equivalents at the beginning of the year	32,812	56,721	77,375	72.9%	36.4%	53.6%
Cash and cash equivalents at the end of the year	**56,721**	**77,375**	**115,226**	**36.4%**	**48.9%**	**42.5%**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase is more than 500% or the decrease is more than 500%.

5.9.1 Cash flows from operational activities

The following table shows the details of cash flows from operational activities for the facial years ended on December 31, 2018G, 2019G and 2020G.

Table No. (48): Operational Activities

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
net loss for the year	(91,835)	(101,352)	(31,911)	10.4%	(68.5%)	(41.1%)
Adjustments to non-monetary items						
Depreciation of property and equipment	801	959	1,030	19.7%	7.4%	13.4%
Amortization of intangible assets	942	808	479	(14.2%)	(40.7%)	(28.7%)
Amortization of the right of use of assets	-	-	1,041	N/A	N/A	N/A
Financing costs for lease commitments	-	-	49	N/A	N/A	N/A
Provision / (Refund) for doubtful debts	(122)	9,962	181	Meaningless	(98.2%)	N/A
Unrealized profits from investments	(57)	(655)	(186)	Meaningless	(71.6%)	80.6%
Realized profits from investments	-	-	(117)	N/A	N/A	N/A
Amortization of discounts – net	(35)	(147)	(159)	320.0%	8.2%	113.1%
Provision for end of end of service benefits	**2,834**	**1,159**	**1,520**	**(59.1%)**	**31.1%**	**(26.8%)**
	(87,472)	**(89,266)**	**(28,073)**	**2.1%**	**(68.6%)**	**(43.3%)**
Changes in operating assets and liabilities:						
City premiums	97,583	(34,392)	(638)	(135.2%)	(98.1%)	N/A
City reinsurance receivables	-	(5,995)	(996)	N/A	(83.4%)	N/A
Reinsurance shares of outstanding claims	(5,857)	4,823	915	(182.3%)	(81.0%)	N/A
Reinsurers' share of incurred but not reported claims	(1,305)	2,009	94	(253.9%)	(95.3%)	N/A
Reinsurers' share of the insurance premium deficiency reserve	(610)	610	-	(200.0%)	N/A	N/A
Acquisition costs and deferred insurance policies	7,889	(1,816)	(379)	(123.0%)	(79.1%)	N/A

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Prepaid expenses and other assets	13,346	406	8,195	(97.0%)	Meaningless	(21.6%)
Accrued expenses and other liabilities	48,098	(34,875)	(207)	(172.5%)	(99.4%)	N/A
Accounts payable to reinsurers	66	(939)	-	Meaningless	(100.0%)	(100.0%)
Unearned premiums	(128,039)	55,582	(8,416)	(143.4%)	(115.1%)	(74.4%)
Claims under settlement	9,866	(22,977)	17,876	(332.9%)	(177.8%)	34.6%
Claims incurred but not reported	1,835	2,550	(5,519)	39.0%	(316.4%)	N/A
Premiums deficit reserve	2,441	14,894	(2,790)	Meaningless	(118.7%)	N/A
Other technical reserves	85	888	(1,134)	Meaningless	(227.7%)	N/A
	(42,074)	**(108,498)**	**(21,072)**	**157.9%**	**(80.6%)**	**(29.2%)**
Paid end of service benefits	**(459)**	**(1,583)**	**(1,700)**	**244.9%**	**7.4%**	**92.5%**
Net cash from operational activities	**(42,533)**	**(110,081)**	**(22,772)**	**158.8%**	**(79.3%)**	**(26.8%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase percentage is more than 500% or the decrease percentage is more than 500%.", and "N/A" means that the percentage increase or decrease is not calculated due to the presence of "zeroes".

Cash used in operational activities increased by 158.8% from SAR 42.5 million in 2018G to SAR 110.1 million in 2019G. This resulted primarily from recording a net loss before zakat of SAR 101.4 million in 2019G. Cash used in operational activities decreased by 79.3% from SAR 110.1 million in 2019G to SAR 22.8 million in 2020G. This is due to a decrease in net loss before zakat and an increase in outstanding claims during the period ended on December 31, 2020G.

5.9.2 Cash flows from investment activities

The following table shows the details of cash flows from investment activities for the facial years ending December 31, 2018G, 2019G and 2020G.

Table No. (49): Investment Activities

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Purchase investments	-	(64,453)	-	N/A	(100.0%)	N/A
Proceeds from the sale of investments	21,886	5,000	5,036	(77.2%)	0.7%	(52.0%)
Proceeds from maturity of short-term Murabaha deposits	51,981	6,846	35,968	(86.8%)	425.4%	(16.8%)
(Increase) / decrease in statutory deposits	-	(15,000)	22,500	N/A	(250.0%)	N/A
Purchase of property and equipment	(1,317)	(905)	(811)	(31.3%)	(10.4%)	(21.5%)
Purchase of intangible assets	(707)	(753)	(455)	6.5%	(39.6%)	(19.8%)
Net cash from (used in) investment activities	**71,843**	**(69,265)**	**62,238**	**(196.4%)**	**(189.9%)**	**(6.9%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase percentage is more than 500% or the decrease percentage is more than 500%.". "N/A" in the above table means that the increase or decrease percentage is not calculated due to the presence of "zeroes".

The shift of cash generated from investment activities by SAR 71.8 million in 2018G to cash used amounting to SAR 69.3 million in 2019G due to the purchase of investments in addition to the increase in the statutory deposit. Enaya Company recorded cash generated from investment activities by SAR 62.2 million in 2020G, compared to cash used with SAR 69.3 million in 2019G. This is mainly due to recording proceeds from the maturity of short-term Murabaha deposits amounting to SAR 36.0 million and a decrease in statutory deposits by SAR 22.5 million in 2020G.

5.9.3 Cash flows from financing activities

The following table shows the details of cash flows from investment activities for the facial years ending December 31, 2018G, 2019G and 2020G.

Table No. (50): Financing Activities

One thousand Saudi Riyals	Fiscal year ending on December 31			Increase/(decrease)		CAGR 2018G – 2020G
	2018G (Audited)	2019G (Audited)	2020G (Audited)	2018G-2019G	2019G-2020G	
Issuance of initial rights shares	-	200,000	-	N/A	(100.0%)	N/A
Transaction cost	(5,401)	-	-	(100.0%)	N/A	(100.0%)
Paid rental obligations	-	-	(1,615)	N/A	N/A	N/A
Net cash (used in) from financing activities	**(5,401)**	**200,000**	**(1,615)**	**Meaningless**	**(100.8%)**	**(45.3%)**

Source: Audited financial statements for the fiscal years 2018G, 2019G and 2020G.

Note: "Meaningless" means that the increase percentage is more than 500% or the decrease percentage is more than 500%.". "N/A" in the above table means that the increase or decrease percentage is not calculated due to the presence of "zeroes".

The cash generated from financing activities amounted to SAR 200.0 million in 2019G mainly represented by increasing the capital of Enaya Company through the issuance of initial rights shares. Enaya Company incurred a transaction cost of SAR 5.4 million related to the capital increase, which was charged directly to the statement of changes in equity as on December 31, 2018G. The lease commitments paid amounting to SAR 1.6 million in 2020G are related to Enaya Company's application of IFRS 16 as of the third quarter of 2020G.

6. Legal information

6.1 AMANA COMPANY'S DIRECTORS' DECLARATION

The directors of Amana Company provide the following confirmations:

1- the Merger does not constitute a breach of the relevant laws and regulations in Saudi Arabia;

2- the issuance of the New Shares does not constitute a breach of any contract or agreement entered into by Amana Company

3- this section includes all the material legal information about the Merger Agreement which Amana Company Shareholders should take into consideration to make a well-informed voting decision; and

4- there is no other material legal information within this section, the omission of which would make any statement herein misleading.

The the Board members of Amana Company believe that the Merger is fair and reasonable, having conducted the necessary professional due diligence as they deem appropriate under the circumstances with the support of their advisors and considering the market position prevailing at the time of the publication of this Circular in addition to the future growth prospects of the Merging company, the expected benefits from the Merger and Alinma Investment's opinion (being Amana Company's financial advisor in connection with the Merger), dated 17/09/1442H (corresponding to 29/04/2020G) (Kindly, Annex (3) "Opinion Provided by the Financial Adviser" of this Circular), to the effect that, on the date of submitting the opinion to the Board of Directors of Amana Company and in accordance with the factors and assumptions described in that opinion, Alinma Investment considers that the Swap Ratio agreed upon under the Merger Agreement is fair from a financial point of view.

The the Board members of Amana Company also believe that the Merger is in the best interest of Amana Company and its shareholders, and therefore they unanimously recommend to Amana Company shareholders to approve the Merger decisions. In making this recommendation, Amana Company Board members took into account the outside advice they had received on legal, financial, actuarial, accounting, strategic and other matters relating to the transaction.

It is also worth noting that all the Board members of Amana Company, who will vote on the Merger decisions in the EGM of Amana Company for the Merger, will vote to approve the Merger decisions.

It should be noted that the Board members of Amana Company did not take into account the individual investment objectives, the financial situation, the zakat and tax status, or the circumstances specific to each shareholder due to the different circumstances, situations and objectives of each of them.

Accordingly, the the Board members stress the need for Amana Company shareholders to obtain independent professional advice from a licensed financial advisor regarding the Merger, and he must rely on his own review of the Merger to ensure the suitability of the Merger and the information contained in this circular to their investment objectives and financial conditions.

6.2 SUMMARY OF THE LEGAL STRUCTURE OF THE MERGER

The Merger will be executed in accordance with the provisions of Articles 191 to 193 of the Companies Law and subparagraph (1) of paragraph (a) of Article 49 of the Merger and Acquisition Regulations. After fulfilling all the terms of the Merger Agreement and summarized in Section 6.5 ("**Material pre-conditions or covenants contained in the Merger Agreement**") of this Circular (noting that none of these terms shall be amended or waived except with the consent of both companies) and the completion of a transaction In the Merger, all assets and liabilities of Enaya will be transferred to Amana. Upon the enforcement of the Merger decision, Amana Company will continue to exist, while the Enaya Company will expire by force of the Law and all of its shares will be cancelled, and all of its shares will be cancelled. As a result of the Merger, Amana Company will issue the Consideration Shares to the shareholders of Enaya Company that are registered in the Enaya Company's shareholder register as at the end of the second trading period after the Merger decision becomes effective.

Both companies also agreed, under the Merger Agreement, on the Swap Ratio, which is represented in the shareholders of Enaya Company obtaining a number of (1,057,20160) shares in Amana Company for every (1) share they own in Enaya Company, and the total number of Consideration Shares will be fifteen million eight hundred and fifty-eight thousand and twenty-four (15,858,024) fully paid ordinary shares with a nominal value per share of ten (SAR 10), so that the total nominal value of the Consideration Shares is an amount of one hundred and fifty-eight million five hundred and eighty thousand two hundred and forty Saudi riyals (SAR 158,580,240). These shares will be issued by increasing the fully paid-up capital of Amana Company by (121.9848%) of the current capital from one hundred and thirty million Saudi riyals (SAR 130,000,000) to two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty Saudi riyals (SAR 288,580,240) and increasing the number of shares issued to Amana Company from thirteen million (13,000,000) ordinary shares to twenty-eight million eight hundred fifty-eight thousand and twenty-four (28,858,024) fully paid shares. Upon completion of the Merger, the current Amana Company shareholders will own (45%) of the Merging company's capital, and Enaya Company shareholders will own (55%) of the Merging Company's capital.

Both companies also agreed under the Merger Agreement on a number of pledges and guarantees, including - but not limited to:

- Between the date of the Merger Agreement and the effective date of the Merger decision, neither party shall make any changes or decisions that may adversely affect business, assets or management, and each party must conduct its operational business as usual,
- Neither party shall carry out any operational operations outside its usual operations without obtaining the prior written and express consent of the other party.
- Ensure that representatives and advisors of the other party have access to inspect the books and records, upon request.

Amana Company's commitment to these commitments and guarantees without proceeding with the Merger will cost the Merging company financial burdens due to the appointment of financial, legal, actuarial and accountants for Amana Company, which will incur Amana Company expenses, which has a negative and material impact on the Merging company's business, results of operations and future prospects (for more

details About undertakings and guarantees, please refer to Section No. (6.5) "**Material pre-conditions or covenants contained in the Merger Agreement**" of this circular).

A simplified model of the Merger package structure is as follows:

Figure No. (3): The structure of the Merger



Source: Financial Advisor, Amana Company, Enaya Company

6.3 APPROVALS REQUIRED TO EFFECT THE MERGER

6.3.1 Government Approvals

The Merger requires obtaining a number of government approvals, which are as follows:

a. General Competition Authority's no-objection on the economic concentration resulting from the Merger
b. SAMA approval for the Merger and increasing the capital of Amana Company. SAMA's approval was obtained on 18/04/1443H (corresponding to 23/11/2021G)
c. Obtaining Tadawul's approval of Amana Company's request to list the new shares issued to Enaya Company shareholders. Tadawul approval was obtained on 24/04/1443H (corresponding to 29/11/2021G)
d. Approval of the CMA on a request to increase the capital of Amana Company and requesting the publication of the Offer Document submitted by Amana Company to the shareholders of Enaya Company. The approval of the CMA was obtained on 02/05/1443H (corresponding to 06/12/2021G)
e. Approval of the CMA to call the EGM of Amana Company for the Merger and the EGM of Enaya Company for the Merger and the date of the meeting will be announced on the Tadawul website.

6.3.2 EGM approval

One of the conditions for completing the Merger is to obtain the approval of the EGM of Amana Company and Enaya Company on the Merger, as follows:

1- The approval of the required majority of Amana Company shareholders on the Merger decisions.
2- The approval of the required majority of the shareholders of Enaya Company on the Merger decisions.

Amana Company will submit a request to the CMA to invite the EGM after publishing this circular. After obtaining the approval of the CMA in this regard, Amana Company will publish the invitation to the EGM of Amana Company to be held within a period of no less than (21) days at least from the date of publishing the invitation to the EGM of Amana Company's shareholders. The meeting of the EGM of Amana Company shall be valid if attended by shareholders representing at least half of the capital of Amana Company. If this quorum is not present in the first meeting, an invitation is sent to a second meeting to be held one hour after the end of the period specified for convening the first meeting, (provided that the invitation to hold the first meeting includes an announcement that a second meeting may be held one hour after the end of the period specified for convening the first meeting when the quorum necessary to hold the meeting is not complete. The second meeting shall be valid if attended by shareholders representing at least a quarter of the capital. In the event that the necessary quorum is not present in the second meeting, Amana Company will apply to the CMA to obtain its approval to hold a third meeting of the EGM, and the third meeting will be valid regardless of the number of shares represented therein. Upon obtaining its approval, Amana Company will publish the invitation to the EGM meeting, and the EGM will be held after a period of no less than twenty-one (21) days from the date of publishing the invitation.

All shareholders registered in the register of Amana Company shareholders at the end of trading on the day of the EGM meeting of the Merger are entitled to attend the assembly. The shareholder will be able to attend and vote on the agenda (either by himself or by electronic voting or by proxy) in accordance with the relevant procedures, whether this person is a shareholder in Amana Company or otherwise, and provided that this person is not a member of the board of directors of Amana Company or any other from the employees of Amana Company. The power of attorney must be in writing and signed by the authorized shareholder and approved by the Chamber of Commerce or by one of the authorized persons from the CMA, the Notary Public or the persons authorized for notarial work. The proxy must present the original power of attorney authenticated on the day of the assembly meeting, in addition to a copy of the national identity, passport or resident's ID to the agent.

Shareholders will also be able to vote remotely (electronically) on the items on the agenda of the EGM related to the Merger. Electronic voting will be available at least (3) days before the date of the EGM, and the dates on which electronic voting will be available will be specified within the invitation to convene the EGM.

The Merger decisions will be approved at the EGM meeting of Amana Company for the Merger if the approval decision is issued by a majority of three quarters of the shares represented in the meeting (whether by proxy or by proxy). Furthermore, a shareholder who owns shares in both Amana Company and Enaya Company is not entitled to vote on Merger decisions except through the EGM of one of both companies. The votes in the extraordinary general assemblies are calculated on the basis of one vote per share, and the shareholder who does not attend the EGM of the transaction, whether in person, through an agent or electronically, will lose his right to vote on the decisions of the assembly.

Shareholders will also be able to vote on the agenda items of the EGM remotely (electronically) through the "Tadawulaty" service provided by Tadawul, provided that the shareholders have registered in the "Tadawulaty" service, knowing that registration and voting in "Tadawulaty" services is available. Free for all contributors. For more information, please visit the link: www.tadawulaty.com.sa. Electronic voting will be available at least three days before the EGM, and the dates on which electronic voting will be available will be specified in the EGM invitation.

The votes in the extraordinary general assemblies are calculated on the basis of one vote per share. A shareholder who apologizes for attending the EGM (whether by himself, by electronic voting or by proxy) will lose his right to vote in the EGM and the votes associated with his shares will not be taken into consideration.

6.3.3 Creditors' Objection Period

In accordance with the provisions of Article (193) of the Companies Law, Enaya Company's creditors have the right to object to the Merger during the creditors' objection period (which extends for a period of 30 days from the date of publishing the EGM's decisions approving the Merger). Accordingly, after the approval of the EGM of both companies on the Merger, both Amana Company and Enaya Company will publish the decisions of the EGM, and this announcement will indicate the right of Enaya Company's creditors to object to the Merger by sending a registered letter to the headquarters of Enaya Enaya Company within (30) days from the date of publishing the results of the EGM of the Merger. The Merger decision will be effective after the lapse of (30) days from its announcement, in the event that there is no existing objection from any of Enaya Company's creditors to the Merger. In the event that any of the creditors submit their objection within the aforementioned period, the Merger will be suspended until the creditor relinquishes his objection, or until the Enaya Company fulfills the debt if it is present, or until the Enaya Company or Amana Company provides sufficient guarantee to meet the future and accepted debts. Any debts that were not registered in the financial statements of Enaya Company, then resorting to the relevant judicial authorities according to each debt, if later.

6.4 Summary of the material agreements related to the capital increase for the purpose of the Merger

6.4.1 Merger Agreement

On 09/17/1442H corresponding to 04/29/2021G, Amana Company and Enaya Company entered into the Merger Agreement, which included special conditions for the implementation of the Merger in accordance with the steps, procedures and Swap Ratio specified in the shareholders' circular, in addition to certain pledges and guarantees by the management of both companies. Accordingly, the Merger will be subject to the conditions set out in the terms of the Merger Agreement, which are mentioned below.

6.5 Material pre-conditions or covenants contained in the Merger Agreement

6.5.1 Pre-conditions

According to Clause No. (4) of the Merger Agreement, there are a number of conditions that must be fulfilled for the purpose of completing the Merger. Both companies have committed themselves to seeking to fulfill them as soon as possible and to coordinate with each other in this regard, and both companies have also agreed that none of these conditions may be amended or waived without the written consent of both companies. Here is a summary of those conditions:

a. Obtaining the approval or non-objection of the General Authority for Competition to complete the Merger.
b. Obtaining all required approvals from SAMA in relation to the Merger. According to the terms of the Merger.
c. Tadawul's approval of Amana Company's request to list the shares issued for the benefit of Enaya Company shareholders.
d. Obtaining all the required approvals from the CMA on a request to increase the capital of Amana Company by issuing new shares for the benefit of the shareholders of Enaya Company for the purpose of implementing the Merger. Including the approval of the Offer Document and the shareholders' circular, in accordance with the Merger and Acquisition Regulations and the rules for offering securities and continuing obligations issued by the CMA.

6.5.2 Negative material changes

In the event that either party finds that there has been (or is likely to occur) any negative material changes that results in a decrease in the adjusted net book value (agreed upon under the Merger Agreement) by 20% or more for either company, the other party shall be notified in writing immediately. Accordingly, representatives of both companies shall meet to discuss the circumstances and the basis for the negative fundamental change within a period not exceeding ten working days from the date of the notification. In the event either party disputes that the occurrence of an event(s) or condition(s) resulting in a material adverse change, the parties shall appoint an independent expert from one of the Big Four audit firms (Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers), to act as an expert, not as an arbitrator, to review the circumstances and issue a determination that is final and binding on the parties as to whether or not what has occurred constitutes a negative material change. Both parties shall bear equally all fees and costs related to the appointment of the expert. In the event that the expert's decision that no material change has occurred is negative, the party claiming such an event shall be responsible for reimbursing the other party the costs of appointing the expert. The expert must be agreed upon by the parties. In the event that the representatives of both companies are unable to meet within ten (10) working days from the date of receipt of the notification, or in the event that the representatives of both companies do not agree to identify an expert within 20 days of receiving the notification, the party claiming a negative material change

may apply to The Saudi Center for Commercial Arbitration has one purpose, which is to appoint an expert, and this expert is binding on both parties. According to the Merger Agreement, the decision of the Saudi Center for Commercial Arbitration is binding in the process of selecting the expert in the event that both parties did not reach an agreement on the appointment of an expert.

In the event that the parties agree or the appointed expert considers that the event or circumstance actually constitutes a fundamental negative change, it is up to the parties to do the following:

1- Agreeing to proceed with the transaction in accordance with the terms of the Merger Agreement notwithstanding any material adverse change in one of both companies; or

2- A party whose business is not affected by a material adverse change may terminate the Merger Agreement and demand immediate payment of termination fees from the other party (for more details on termination fees, please see subsection 6.5.3 "**Merger/Agreement Termination terms**" of this Circular), provided that prior to terminating the Merger Agreement and requiring immediate payment of the termination fee, the parties shall first endeavor to negotiate in good faith any revisions to the terms of the Merger Agreement, including but not limited to a renegotiation of the exchange rate, with the intent of the parties reaching an agreement to proceed with the transaction. Merging. In the event that the Parties are unable to agree to any revisions to the Merger Agreement by negotiation in good faith within fourteen (14) business days following the Parties' agreement or a binding decision of the Expert that a material adverse change has occurred, the Party whose actions are not affected by the material adverse change may terminate the Merger Agreement immediately and demand immediate payment of termination fees from the other party.

3- The right of either party to terminate the Merger Agreement and to demand immediate payment of the termination fee under Clause 8.2(b) of the Merger Agreement set out in Paragraph (2) above shall be by written notice within thirty (30) business days of receipt of the notice (in the event that one of the parties does not dispute the existence of a material negative change) or no later than thirty (30) working days from the issuance of the final and binding decision of the expert (where the existence of a material negative change is disputed by one of the parties and confirmed by the expert). Otherwise, this right to terminate the Merger Agreement and to claim termination fees under Clause 8.2(b) of the Merger Agreement described in paragraph (2) above shall terminate and the party giving notice shall be deemed to have agreed to proceed with the Merger in accordance with the terms of the Merger Agreement.

6.5.3 Merger/Agreement Termination terms

Clause 7.1 of the Merger Agreement states that if any of the pre-conditions are not fulfilled or waived (if they can be waived), before or on the date of termination, and unless the parties agree otherwise in writing, either party may terminate the Merger by giving written notice to the other party and in line with the provisions of Clause (7.3) of the Merger Agreement, provided that the right to terminate the deal is not available to any party who fails to fulfill the substantial obligations or was the main cause of the failure on or before the date of termination.

Without prejudice to the following clauses mentioned in the Merger Agreement, which is Clause No. (7.1) of the Merger Agreement whose provisions are explained in the above paragraph, and Clause No. (8) of the Merger Agreement whose provisions are set forth in Subsection No. (6.5.2) "**Negative material changes**" of this Circular, and Clause No. (9) of the Merger Agreement, which deals with cases of force majeure, the Merger may be terminated at any time prior to the effective date of the Merger decision when any of the following occur:

1- Upon a joint and written agreement between Amana Company and Enaya Company to terminate the Merger.

2- Upon written notice to the other party if:

   a. the entry into force of any applicable regime which would make the completion of the Merger unlawful or otherwise prohibited; or

   b. any judgment, court order, order or decree of any governmental authority, court or regulatory body of competent jurisdiction directing the parties to discontinue the Merger and such judgment, injunction, order or ordinance shall be final and not subject to appeal; or

   c. occurrence of a force majeure event and its extension for more than two (2) months in accordance with Clause 9 of the Integration Agreement (which sets out cases of force majeure), however, the parties may agree in writing to extend the period provided for in this paragraph to any other period.

3- Non-compliance by either party towards the other party under Clause No. (5.3) A of the Merger Agreement, which provides for refraining from taking any action (whether direct or indirect) to encourage or initiate or seek to enter into discussions or negotiations with any other entity in connection with any Merger or other similar operation, or otherwise take any action of any kind (including, without limitation, the relevant party's board of directors recommending to such party's shareholders a higher offer or a competing offer that is inconsistent with the terms of the Offer Document), which would be detrimental to the ability of the parties to complete the terms and conditions under the Merger Agreement to achieve the Merger process.

4- By either party in accordance with Clause 8.2(b) of the Merger Agreement and the provisions of which are set out in Subsection 6.5.2 "**Negative material changes**" of this Circular.

5- By either party if the other party has breached or failed to perform any of its covenants or agreements set forth in the Merger Agreement, the breach or failure of which may result in such other party's failure to perform all material aspects of all its obligations under the required Merger Agreement to perform it as of or before the effective date of the Merger decision, and any breach or failure to perform if it is not remedied by such breaching party within thirty (30) days after written notice to it, or which cannot be remedied by its nature or timing.

Upon termination of the Merger, the parties shall have no further responsibility or obligation under the Merger except in relation to the following:

1- Payment of termination fees in accordance with Clause No. 8.2 b of the Merger Agreement whose provisions are set forth in Subsection No. (6.5.2) "**Negative material changes**" of this Circular and Clause No. 10 of the Merger Agreement whose provisions are set forth in Subsection No. (6.5.4) "**Termination Fee**" From this circular. And

2- Claims that arose prior to or led to the termination; And

3- The provisions contained in the Merger expressed to remain in effect after the termination of the Merger Agreement, and the provisions relating to the following clauses of the Merger Agreement:

a. Clause No. (3) of the Merger Agreement, which provides for provisions for representation and guarantees; Where both companies undertake that all the guarantees they provided are true, accurate, and not misleading from the date of signing the Merger Agreement until the date of the Merger decision becoming effective. None of the guarantees provided by both companies contain any incorrect or incomplete statement that may affect the desire of both companies to complete the Merger. Moreover, both companies undertake to notify the other by means of a supplementary disclosure letter if they become aware of any information that makes the guarantees provided by them untrue, inaccurate or misleading in any material aspect.

b. Clauses (10) to (21) of the Merger Agreement, which clarify the provisions relating to the following: 1. Termination fees; 2. Announcements and confidentiality; 3. The entire Merger Agreement; 4. Amendments; 5. Non-assignment; 6. Compensation and Waiver; 7. Third Party Rights; 8- Costs; 9. Confirmations; 10. Notices; 11. Governing Law and Jurisdiction; and 12. Counterparts.

The Parties shall cooperate and work together to terminate all agreements entered into, licenses and approvals issued, and to withdraw all pending orders submitted in connection with the transactions provided for in the Merger Agreement.

6.5.4 Termination Fee

It was agreed to set termination fees at an amount of (SAR 3,500,000) three million five hundred thousand Saudi riyals, representing fees and costs of financial, legal, actuarial and other expenses incurred by each of both companies to complete the Merger.

- Pursuant to Clause (10.1) of the Merger Agreement, which refers to Enaya Company's agreement to commit resources and incur expenses, legal costs and other costs in furthering Enaya Company's interest in the Merger, Amana Company undertakes to pay the termination fee to Enaya Company or as may be directed by Enaya Company (In any case, within (5) working days after the request of Enaya Company) and if the Merger period lapses after the date of the Merger Agreement, or if the Merger Agreement is terminated as a result of any of the following:

  1- In the event that the Board of Directors of Amana Company decides not to recommend to the shareholders of Amana Company to vote in favor of the Offer, or decides to withdraw its recommendation in this regard or to fundamentally modify it from what is specified in the shareholders' circular, or if it recommends to the shareholders of Amana Company an offer that is not included in the Offer Document.

  2- In the event of failure to take the necessary steps within the authority of Amana Company, which are appropriate or required to enforce the Merger, to take place prior to the effective date of the Merger decision (except for any steps agreed to by Enaya Company in writing stating that Amana Company does not need to take or is not required to be taken in accordance with the terms of the Merger).

  3- Except for the provisions of termination as stipulated in Clause No. (7.2) A of the Merger Agreement, which indicates that the Merger Agreement may be terminated at any time prior to the effective date of the Merger decision by written agreement of the parties and Clause No. (7.2) (B) of the Merger Agreement, Which indicates that the Merger Agreement may be terminated at any time prior to the effective date of the Merger decision by a written notification from one of the parties to the other party in the event: 1. the entry into force of any applicable regulation which would make the completion of the Merger unlawful or otherwise prohibited; (ii) any judgment, court order, order or ordinance of any governmental authority, court or regulatory body of competent jurisdiction ordering the parties to discontinue the Merger and such judgment, injunction, order or ordinance shall be final and non-appealable; or 3. the occurrence of force majeure and extending for more than two (2) months in accordance with Clause (9) of the Merger Agreement provided that the parties agree in writing to extend the period provided for in this paragraph to any other period (subject to the provisions of Clause No. (7.1) of the Merger Agreement The Merger whose provisions are set forth in Subsection No. (6.5.3) "**Merger/ Agreement Termination terms**" of this circular, and Clause No. (8) of the Merger Agreement whose provisions are set forth in Subsection No. (6.5.2) "**Negative material changes**" of this Section and Clause No. (9) of the Merger Agreement, which deals with cases of force majeure), Amana Company causes the Merger or offer contained in the Offer Document or shareholder circular, as the case may be, to be forfeited or withdrawn; or

  4- Enaya Company to terminate the Merger in accordance with Clause No. (7.2) (c) of the Merger Agreement, which clarifies that the Merger Agreement may be terminated at any time prior to the effective date of the Merger decision by either party in case the other party breaches its obligations. In addition to Clause 7.2 (d) of the Merger Agreement, which states that the Merger Agreement may be terminated at any time prior to the effective date of the Merger Decision by either party in accordance with Clause 8.2 (b); Clause No. (7.2) (e) of the Merger Agreement, which clarifies that the Merger Agreement may be terminated at any time prior to the effective date of the Merger Decision by either party if the other party has breached or failed to implement any of its obligations stipulated in the Merger Agreement. Such breach or failure to perform shall result in the other party's failure to perform all material aspects of all its obligations under the Merger Agreement to perform as from or before the effective date of the Merger decision, and any breach or failure to perform which cannot be corrected by such other party within thirty days after written notice to such other party, or which cannot be corrected by its nature or timing; or Clause No. (8.2) (b) of the Merger Agreement, which is described in Subsection No. (6.5.2) "**Negative material changes**" of this circular.

- Under Clause No. (10.2) of the Merger Agreement, which refers to Amana Company's agreement to commit resources and incur expenses, legal costs and other costs in furthering Amana Company's interest in the Merger. Enaya Company undertakes to pay the termination fee to Amana Company or as may be directed by Amana Company (and in any case within (5) business days after Amana Company's request) and in the event that the Merger period lapses after the date of the Merger Agreement, or if the Merger Agreement is terminated as a result of any of the following:

  a. In the event that the Board of Directors of Enaya Company decided not to recommend the shareholders of Enaya Company to vote in favor of the Offer, or decided to withdraw its recommendation in this regard, or to fundamentally modify it from what is specified in the shareholders' circular, or recommends to the shareholders of Enaya Company an offer that is not included in the Offer Document, or recommends a higher offer or a competitor to the Offer contained in the Offer Document.

  b. Failure to take the necessary steps within Enaya Company's authority, which are appropriate or required to enforce the Merger, to bring about a date prior to the effective date of the Merger Decision (except for any steps agreed to by Enaya Company in writing that Enaya Company does not need or is not required to take in accordance with the terms of the Merger).

  c. Except for the termination provisions as provided for in Clauses (7.2) (a) and 7.2 (b) of the Merger Agreement and whose provisions are set forth in Paragraph (3) above and without prejudice to Clause No. (7.1) whose provisions are set forth in Subsection No. (6.5.3)." **Merger/Agreement Termination terms**" From this circular, Enaya Company causes the Merger to be terminated or withdrawn; or

  d. Enaya Company takes any action that violates Article (36) (a) of the Merger and Acquisition Regulations "Restrictions and Disincentives: Approval of the General Assembly of Shareholders: which stipulates that the board of directors of the Offeree company may not - during the Offer period (or before the beginning of the Offer period) If the board of directors of the Offeree company has reason to believe that a real offer is imminent) - do any of the following without the approval of the general assembly of shareholders (except as provided in a previously concluded binding contract): 1) Issuance of any authorized unissued shares. 2) Issuing or granting rights in connection with any unissued shares. 3) Create or issue and permit the creation or issuance of any securities convertible into shares or subscription rights to shares. 4) Selling, disposing of, or acquiring, or agreeing to sell, dispose of or acquire any assets of a value equal to 10% or more of the net assets of the Offeree company in accordance with the latest reviewed interim financial statements or audited annual financial statements, whichever is later, whether by One deal or several deals. 5) The Offeree company's purchase of its shares. 6) Concluding contracts outside the company's normal activities. The memorandum calling for the holding of the general assembly of shareholders must include information about the Offer or potential offer, which has a material adverse effect on Enaya Company (and for these purposes, the action must be "material" if taken in combination with any other actions under this paragraph (d), that clarify the provisions of Clause No. (10.2) d of the Merger Agreement, amounting to or exceeding a total amount of SAR 1,500,000 (one million five hundred Saudi riyals) after which Amana Company has notified Enaya Company of its desire to withdraw from the Merger (and for these purposes, actions taken with Amana Company's prior written consent (not unreasonably withheld or delayed) are not an obstructive action in violation of Section 36(a) of the Merger and Acquisition Regulations); or

  e. That Amana Company terminates the Merger in accordance with the following clauses No. (7.2) C, (7.2) D, and (7.2) E of the Merger Agreement described in the above sub-paragraph No. (4) of Subsection No. (6.5.4) "**Termination Fee**" of this Circular or Clause No. (8.2) B of the Merger Agreement, which is described in Subsection No. (6.5.2) "**Negative material changes**" of this Circular.

6.5.5 Pending Procedures until the Effective Date of the Merger Decision

6.5.5.1 Until the effective date of the Merger decision, each of the parties undertakes the following:

Until the effective date of the Merger decision, each of the parties undertakes the following:

1- Notify the other party in writing by virtue of one or more additional disclosure letter(s) in accordance with Clause (3) of the Merger Agreement, the provisions of which are set out in Paragraph (3) (a) of Section No. (6.5.3) "**Merger/Agreement Termination terms**" of this Circular about any issue(s) or circumstance so that it is information to the other party, which would render any of the warranties made untrue, inaccurate or misleading or would affect the willingness of the other party (to act reasonably) to proceed with the Merger in accordance with the terms in the Merger Agreement.

2- At no time from the date of the signing of the Merger Agreement shall any other person do or willfully omit or allow any other person to do or omit to do any act which would (or is likely to result in a breach of any of its warranties).

3- During the period extending from the date of signing the Merger Agreement and the date on which the Merger decision becomes effective for any of the parties, it is not permissible for any of the parties to make any changes or take any decision(s) that would lead to a negative impact on its business, assets or reputation.

4- Neither party may dispose of any asset, agree to dispose of any asset, or acquire an asset, or agree to acquire an asset except:

   a. Any asset that is classified as being in the ordinary course of business or

   b. Any asset that falls within the context of the Merger.

5- From the date of signing until the date of the Merger decision becoming effective, neither party may submit a mortgage or issue approval to grant a mortgage on any of its assets.

6- Neither party may do or omit to do with care to take all precautionary measures to prevent any current or expected event that could adversely affect the condition of assets or financial condition, without prejudice to all of the above, both parties must ensure the renewal and maintenance of the validity of all licenses and permits necessary for the continuation of operations as of the date of signing the Merger Agreement.

7- Other than in the normal course of business or as a result of a request from SAMA, neither party may allow or deny any reinsurance agreements or insurance policies in relation to any of its assets or liabilities, and if any of its reinsurance

agreements expires, lapses, or expected to expire prior to the effective date of the Merger decision, it shall make every effort, in cooperation with and after consultation with the other party, to renew such reinsurance treaties or replace them with similar reinsurance arrangements. They shall not do anything that would render any insurance or reinsurance policy null or void.

8- Each party must conduct its operational business in accordance with the usual, and may not carry out any operations outside its usual operations without obtaining the prior written and express consent of the other party, and net assets may not be exhausted except in a manner consistent with the normal operations.

9- He shall ensure that representatives and advisors of the other party have access to inspect the books and records and, upon his request, shall promptly provide any information or document required or relevant in connection with the Merger.

10- Neither party may declare, cancel, approve, make or pay any dividends (including interim dividends).

11- Except in the context of a Merger; Neither party may declare, assign, agree to, make or pay any distribution of equity whether payable in cash, stock (including recapitalization), property or otherwise.

6.5.5.2 Each party undertakes to the other that from the date of signing the Merger Agreement, it must inform the other party in writing and within three (3) working days in the event of any of the following events occurring prior to the effective date of the Merger decision:

a. Enter into any new loan agreement or repay any loan, including shareholder loans (if any);

b. Enter into any new transactions with related parties;

c. Enter into to, modify or terminate an agreement, arrangement or material commitments exceeding (SAR 500,000) five hundred thousand Saudi riyals (excluding contracts concluded in the course of normal operations).

d. Incur any capital expenditures on any single item with a value exceeding an amount of (SAR 500,000) five hundred thousand Saudi riyals.

e. Make, or agree to make, any material modifications to the terms and conditions of employment (including benefits) of any of the Directors, Executive Directors, officers or employees, or appoint or approve the appointment of any of the Senior Executives.

f. Dismiss any of the key executive employees.

6.5.5.3 Each of the parties shall (beginning from the date of signing the Merger Agreement until the date of the entry into force of the Merger decision or the date of termination of the Merger Agreement) in accordance with Clause (7) of the Merger Agreement, which clarifies its provisions in subsection No. (6.5.3) "Merger/Agreement Termination terms" of this circular obligating the following:

a. Refrain from taking any action (whether directly or indirectly) to encourage or initiate or seek to enter into discussions or negotiations with any other entity in connection with any Merger or other similar transaction, or otherwise take any action of any kind (including, but not limited to, the recommendation of the relevant party's board of directors to the shareholders of that party with a higher offer or a competing offer that contradicts the terms of the Offer Document) which would harm the parties' ability to fulfill the terms and conditions under the Merger Agreement to achieve the Merger process; and

b. Full cooperation between both parties in the fastest and most effective way in relation to submitting the files, announcements and requests required to obtain all approvals, permits, letters of non-objection or other similar approvals as required under the laws of the Kingdom of Saudi Arabia or the competent government authorities to complete the Merger under the Merger Agreement. In accordance with the foregoing, each party shall cooperate with the requests of the other party to inform it of the status of any files, requests or any communications related to the Merger, and any other inquiries or requests for additional information from or to any competent governmental entity in the Kingdom of Saudi Arabia.

6.5.6 Implementation / Completion

6.5.6.1 The parties must deliver the following documents at or around the date of signing the Merger Agreement, which have been duly executed by the representatives of the parties:

1- Amana Company must provide Enaya Company with the following:

   a. An original and signed copy of the Disclosure Letter already delivered to Enaya Company by email and in a scanned format prior to the signing of the Merger Agreement;

   b. An original and signed copy of the Merger Agreement; And

   c. A copy of the decision of the Board of Directors of Amana Company approving the Merger Agreement.

2- Enaya Company must provide Amana Company with the following:

   a. An original and signed copy of the disclosure letter already delivered to Amana Company by email and in a scanned format prior to the signing of the Merger Agreement;

   b. original and signed copy of the Merger Agreement; And

   c. A copy of the decision of the Board of Directors of Enaya Company approving the Merger Agreement.

   d. A copy of Enaya Company's board of directors' resolution confirming to the Authority that the termination fee is in the interest of Enaya Company's shareholders in accordance with Article 36 (b) of the Merger and Acquisition Regulations.

6.5.6.2 Both parties shall, as needed, ensure that Board meetings are held to pass all resolutions to approve the procedures set forth in the following clauses of the Merger Agreement:

a. Clause No. (2) of the Merger Agreement, the provisions of which are set out in Subsection No. (6.5.7) "**Summary of the conditions for completing the Merger**" of this circular.

b. Clause No. (3) of the Merger Agreement; Its provisions are set out in subparagraph (a) of paragraph (3) in subsection No. (6.5.3) "**Merger/Agreement Termination terms**" of this circular.

c. Clause No. (4) of the Merger Agreement; Its provisions are set out in Subsection No. (6.5.1) "**Pre-conditions**" of this circular.

d. Clause No. (5) of the Merger Agreement; Its provisions are clarified in Section No. (6.5.5) "**Pending Procedures until the Effective Date of the Merger Decision**" of this circular.

e. Clause No. (6) of the Merger Agreement; Its provisions are set out in Subsection No. (6.5.6) "**Implementation / Completion**" of this circular.

6.5.6.3 On the effective date of the Merger decision and after fulfilling the preconditions mentioned in Clause (4) of the Merger Agreement, Enaya Company must fulfill its obligations during the creditors' objection period that extends for a period of (30) days as stipulated in Clause No. (2.1) d of The Merger Agreement and Document Delivery Under Clause No. (6.1) of the Merger Agreement, which is described in Subsection No. (6.5.6.2) of this circular, the parties shall undertake and/or arrange such procedures required to complete the following:

1- The new shares issued in Amana Company for the benefit of the shareholders of Enaya Company are registered against all their shares issued in the Enaya Company according to the exchange rates, and the shareholders of the Enaya Company will not receive any cash consideration as a result of the Merger.

2- The legal ownership of the shares of Enaya Company will be transferred to Amana Company (which will become the Merging company) in exchange for the registration of the new shares issued in Amana Company for the benefit of the shareholders of the Enaya Company, and the date of registration of the shares in favor of the shareholders of the Enaya Company is considered the date of the effective date of the Merger decision.

3- A board meeting of the Merging company must be held to take all decisions stipulated in paragraph 2.1 (h) of the Merger Agreement as described in subsection No. (6.5.6.2) of this circular.

6.5.6.4 Enaya Company undertakes, from the date of signing the Merger Agreement until the date on which the Merger decision becomes effective, to make reasonable efforts to (1) complete all tax, zakat and value-added tax returns to the Zakat, Tax and Customs Authority and (2) process all zakat assessments with the Zakat, Tax and Customs Authority and (3) obtaining final zakat and tax certificates from the Zakat, Tax and Customs Authority covering the periods subject to tax and zakat ending on the effective date of the Merger decision.

6.5.7 Summary of the conditions for completing the Merger

Under the Merger, the parties agree on the following:

1- The Parties shall fulfill in good faith and endeavor to perform all the conditions and obligations set forth in the Merger, take or cause all actions to be taken, do or cause to do all things necessary, appropriate or desirable to be completed, and bring into effect the transactions contemplated under the Merger Agreement and make them effective as soon as possible. It is possible to complete the Merger on the effective date of the Merger decision.

2- In consideration of Enaya Company's undertakings and obligations stipulated in the Merger Agreement, Amana Company shall prepare the Offer Document, and the shareholders' circular, in which the Board of Directors of Amana Company recommends the shareholders of Amana Company to approve the Merger as stipulated in the Merger Agreement, the Offer Document, the capital increase request or the Offer and the listing request Subject to fulfilling all the preconditions under Clauses No. (4.1) A to No. (4.1) D of the Merger Agreement, the provisions of which are set out in Subsection No. (6.5.6.2) of Section (6.5) "**Material pre-conditions or covenants contained in the Merger Agreement**" of this Circular – the Board of Directors of Amana Company shall call for the EGM to convene and vote on each of the following:

   a. Approval of the proposed Merger in accordance with the terms of the Merger;

   b. Approval of the capital increase and the issuance of new shares in accordance with the terms of the shareholders' circular, taking into account the quorum specified in the Law for the shareholders of Enaya Company to approve the Merger, in accordance with the terms of the Offer Document during Enaya Company's extraordinary meeting held by Enaya Company in accordance with Clause (2.1) c of the Merger Agreement as described in Subsection No. (6.5.6.2) of Section (6.5.5) "**Pending Procedures until the Effective Date of the Merger Decision**" of this circular.

   c. Approval to register the new shares in favor of the shareholders of Enaya Company, which must be conditional and subject to the quorum specified in the Law for the shareholders of Enaya Company to approve the Merger, in accordance with the terms of the Offer Document during the EGM of Enaya Company held by Enaya Company, pursuant to Clause (2.1) C of the Merger Agreement as described in Subsection No. (6.5.6.2) of Section (6.5.5) "**Pending Procedures until the Effective Date of the Merger Decision**" of this circular.

   d. Adoption of the Articles of Association of the Merging company, which must be conditional and subject to the regulatory majority of Enaya Company shareholders to agree to the Merger in accordance with the terms of the Offer Document during Enaya Company's extraordinary meeting held by Enaya Company, pursuant to Clause No. (2.1) C of the Merger

Agreement as described in Subsection No. (6.5.6.2) of Section (6.5.5) "**Pending Procedures until the Effective Date of the Merger Decision**" of this circular.

e. Approval of an increase in the number of the Board members of Amana Company by adding one (1) seat, which must be conditional and subject to the regulatory majority of the shareholders of Enaya Company to agree to the Merger in accordance with the terms of the Offer Document during the EGM of Enaya Company held by Enaya Company, pursuant to Clause No. (2.1) c of the Merger Agreement as described in Subsection No. (6.5.6.2) of Section (6.5.5) "**Pending Procedures until the Effective Date of the Merger Decision**" of this Circular, Amana Company further agrees to:

- Indicate in the shareholders' circular and the Offer Document the individuals who have been identified by Enaya Company and Amana Company in accordance with Schedule No. (1) attached to the Merger Agreement, which clarifies the agreed provisions related to the the Board members and executives of Amana Company after the Merger - they have been nominated for the positions specified in accordance with Schedule No. (1) of the Merger Agreement, referred to above;
- Inclusion of an appropriate item in the agenda of the shareholders' meeting after the Merger decision has taken effect indicating the nomination of these individuals for the specified positions (in addition to any other individuals who have been appropriately nominated for the specified position in order to obtain the approval of the shareholders therefor;
- Not to impede Enaya Company's nomination of these individuals and not to act with regard to the nomination of individuals nominated by Enaya Company in a manner that is not commensurate with Amana Company's treatment of any other candidate for the specified position, subject to persons who have agreed to appointment to such positions and to fulfill the regulatory requirements for such positions as set forth in any applicable laws or regulations, in the event that, for the avoidance of doubt, nothing in the foregoing shall obligate Amana Company to act in an unfair or discriminatory manner towards any candidate for specified positions or acting other than in compliance with all applicable laws and regulations in the Kingdom of Saudi Arabia.

In consideration of Amana Company's undertakings and obligations as set forth in this Merger Agreement, Enaya Company agrees under the Merger and undertakes that - subject to the fulfillment of the preconditions under Clauses No. (4.1) A to Clause No. (4.1) D of the Merger Agreement whose provisions are set forth in Subsection No. (6.5.1) "**Pre-conditions**" from Section (6.5) "**Material pre-conditions or covenants contained in the Merger Agreement**" of this Circular, and after publication of the Offer Document by Amana Company – Enaya Company Board of Directors shall adhere to the timetable for the Merger approved by the Authority money market in relation to:

- Publication of the circular of the Enaya Company Board of Directors recommending the shareholders of Enaya Company to agree to the Merger as stipulated in the Merger Agreement and the Offer Document; And
- Inviting and holding the EGM of Enaya Company to vote on the approval of the Merger as stipulated in the Merger Agreement and Offer Document.

3- This requires the following:

- Obtaining the necessary governmental approvals to complete the Merger from each of; The Saudi Central Bank, the CMA, Tadawul and the General Authority for Competition;
- The approval of the required majority of Amana Company's shareholders on all matters stipulated in Clause No. (2.1) b of the Merger Agreement as described in Subsection No. (6.5.6.2) of Section (6.5) "**Material pre-conditions or covenants contained in the Merger Agreement**" From this circular during the EGM of Amana Company;
- The approval of the required majority of Enaya Company's shareholders and approval of the Merger in accordance with the terms of the Offer Document during the EGM of Enaya Company held in accordance with Clause No. (2.1) (c) as described in Subsection No. (6.5.6.2) of Section (6.5)" **Material pre-conditions or covenants contained in the Merger Agreement**" of this Circular;
- Enaya Company shall grant sufficient guarantees for its deferred debts and/or to pay all outstanding creditors' debts in the event that one or more claims are submitted by Enaya Company creditors within the thirty (30) days of the creditors' objection period in accordance with Article 193 of the Companies Law.

Amana Company also registers all new shares for the benefit of Enaya Company shareholders in the Securities Depository Center, which must be fully paid up and equal in all respects to the existing shares in Amana Company on the date of the Merger Agreement.

Once the new shares are registered in favor of Enaya shareholders in the Securities Depository Center, the legal ownership and benefit and all assets, rights and obligations of Enaya Company as on the effective date of the Merger decision (including but not limited to all insurance policies and claims thereto) will be transferred in full to Amana Company.

Upon completion of the Merger on the effective date of the Merger decision, 45% of the capital of the Merging company will be allocated to the shareholders of Amana Company, and the remaining 55% of the capital of the Merging company will be allocated to the shareholders of Enaya Company. The new board of directors and the executive directors appointed after the completion of the Merger will manage the Merged entity. And after thirty (30) days have passed from the creditors' objection period as stipulated in Article (193) of the Companies Law. Once the confirmation of the Merger is announced by both parties, the first tasks of the Board of Directors consist of:

a. Take all necessary measures to obtain any additional governmental and/or regulatory approval(s) required (if any); And

b. Executing all remaining announcements and taking any necessary action that may be required for the Merger in accordance with the provisions of the Companies Law (Article 191, 192 and 193) and/or any other rules and regulations applicable in the Kingdom of Saudi Arabia;

c. Complete the transfer of all the assets and liabilities of Enaya Company to the Merged entity which, as of the effective date of the Merger decision, shall assume all rights, obligations and responsibilities and fulfill all obligations and undertakings in relation to Enaya Company's claims and insurance policies issued by Enaya Company before the date of the effective date of the Merger decision; and

d. Take all necessary measures to write off Enaya Company's shares and list the new shares in Tadawul, amend the license of the Ministry of Investment for Amana Company, and cancel all licenses and approvals issued to Enaya Company prior to the effective date of the Merger decision, including but not limited to the licenses of SAMA and the license of the Ministry of Investment and its registration in Ministry.

Both parties expressly confirm that the purpose of the Merger is to transfer the economic activities from Enaya Company to Amana Company in a complete and irrevocable manner. With confirmation that the intention of the previous parties complies with Article (17) of the implementing regulations of the value-added Tax Law, and both parties hereby agree to take all other measures and implement and deliver all other documents before the date of the effective date of the Merger decision, as it may be required to ensure that the Merger is exempt from value tax added under the Value-Added Tax Law.

6.6 Material terms and conditions, preconditions or undertakings contained in documents or other agreements for purchase or Merger

Except for the Merger Agreement whose material terms and conditions and preconditions or undertakings contained in this section are summarized, there are no other documents or agreements related to the Merger.

6.7 Lawsuits and claims against Amana Company

Other than what was disclosed in this section of the circular about the cases brought against Amana Company, which it was exposed to in the course of carrying out its insurance business, there are no (to the knowledge of Amana Company) any lawsuits or potential or existing claims that could have a material impact on the business of Amana Company or its financial position. The following table shows the details of the lawsuits filed against Amana Company as a "defendant" and filed by individuals and companies:

Table No. (51): Details of lawsuits against Amana Company

S/N	Lawsuits	Description
1	Lawsuits brought against Amana Company as a "defendant" by the companies	• A lawsuit filed against Amana Company before the Commercial Court in Riyadh by the Saudi British Telecom Company, requesting Amana Company to pay a claim amount of (SAR 613,000) resulting from an electronic services contract, and the lawsuit is still pending with the court. • A lawsuit filed against Amana Company with the Initial Committee in Jeddah by Al-Mutlaq Trading and Industry Holding Company, demanding that Amana Company pay a claim amount of (SAR 28,000) resulting from medical insurance claims, and the decision of the Initial Committee was issued, and Amana Company did not appeal the decision of the Initial Committee. • A lawsuit filed against Amana Company with the Initial Committee in Riyadh by Abdullah Al-Dakhil Corporation for the Transport of Goods demanding that Amana Company pay a claim amount of (SAR 50,000) resulting from insurance claims, and Amana Company has responded to the lawsuit, and the lawsuit is still pending against the Company honesty.
2	Lawsuits filed against Amana Company as a "defendant" by individuals	• A lawsuit filed against Amana Company with the Initial Committee in Riyadh by one of the individuals requesting Amana Company to pay a claim amount of (SAR 735,000) resulting from insurance claims. The lawsuit was answered by Amana Company, and the lawsuit is still pending against Amana Company. • A lawsuit based on Amana Company with the Initial Committee in Riyadh by an individual asking Amana Company to pay a claim amount of (SAR 500,000) resulting from insurance claims. The lawsuit was answered by Amana Company, and the lawsuit is still pending against Amana Company. • A lawsuit filed against Amana Company before the Labor Court in Riyadh by one of the individuals requesting Amana Company to pay a claim amount of (SAR 369,418) resulting from insurance claims, and Amana Company responded to the lawsuit, and according to the Merging company's statement, the lawsuit ended after the issuance of the court decision with dismissal of the lawsuit. • A lawsuit filed against Amana Company with the Initial Committee in Riyadh by an individual demanding Amana Company to pay a claim amount of (SAR 300,000) resulting from insurance claims. The lawsuit was answered by Amana Company, and the lawsuit is still pending against Amana Company. • A lawsuit filed against Amana Company with the Initial Committee in Riyadh by an individual requesting Amana Company to pay a claim amount of (SAR 300,000) resulting from insurance claims. • A lawsuit filed against Amana Company with the Initial Committee in Riyadh by an individual demanding Amana Company to pay a claim amount of (SAR 300,000) resulting from insurance claims. The lawsuit was answered by Amana Company, and the lawsuit is still pending against Amana Company. • A lawsuit filed against Amana Company with the Jeddah Initial Committee by an individual requesting Amana Company to pay a claim amount of (SAR 177,000) resulting from insurance claims. The lawsuit was responded to by Amana Company, and the lawsuit is still pending against Amana Company. • The number of 30 lawsuits filed against Amana Company by individuals with a total value of less than 100,000 Saudi riyals (for each existing lawsuit) filed with the courts of first instance in the regions of the Kingdom, and the total of these lawsuits amounted to (SAR 365,623),

6.8 Lawsuits and Claims against Enaya Company

The following table shows a summary of the lawsuits and claims against Enaya:

Table No. (52): Details of lawsuits and claims against Enaya Company

Description	Last Updates
The settlement agreement concluded with Zaki Ghanem on 10/09/2020G in the amount of (170,000 Saudi riyals)	Final settlement completed and amount paid
Judgment rendered by the General Court of Jeddah against Enaya Company on 01/12/1441H in the amount of (SAR 2,700,000); For the lawsuit related to the rented building of Enaya Company	The judgment was rendered obligating Enaya Company to pay an amount of two million seven hundred thousand, which is for the period from 2019G-2020G.
A settlement agreement with Rawatej Real Estate Marketing Company on 08/04/2021G in the amount of (5,300,000 Saudi riyals). Regarding the issue related to the mini-rented Enaya Company.	On 08/04/2021G, a settlement agreement was signed with Rawatej Company and the remaining amounts were paid.
Judgment issued by the Labor Court against Jeddah Care Company on 11/11/1441H in the amount of SAR 250,000.	The judgment was rendered obligating Enaya Company to pay an amount of SAR 250,000, and the amount was paid.
A lawsuit filed by Saba Medical Company, against Enaya Company, and related to claims for medical services fees, amounting to SAR 154,000.	The lawsuit is still pending against Enaya Company.
A labor lawsuit filed in the amount of SAR 130,000, filed by Daniel Whitehead, related to the salary for the month of September 2020G.	The lawsuit is still pending against Enaya Company.
A labor lawsuit, in the amount of SAR 427,000, filed by Thamer Al-Abbasi, related to the plaintiff's late wages in addition to other employee benefits. The lawsuit was dismissed, but the plaintiff filed an appeal in the lawsuit, and the lawsuit is still pending against Enaya Company.	The lawsuit is still pending against Enaya Company.
A labor lawsuit, in the amount of SAR 278,000, filed by Hamed Muhammed Kaul, where the judgment was issued obligating Enaya Company to pay the amount of the lawsuit, but Enaya Company appealed	The lawsuit is still pending against Enaya Company.
A labor lawsuit filed by Jaafar Al-Qashqari related to the cancellation of the contract and the dismissal of all notices related to the lawsuit. A preliminary judgment was rendered not to accept the lawsuit, and as on the date of this circular, the final judgment was not rendered in the lawsuit.	The lawsuit is still under appeal.
Claims lawsuit filed by Al-Raqi Medical Center against Enaya Company, claiming Enaya Company for damages	

6.9 A report on the cases of bankruptcy of any member of the Issuer's board of directors, proposed the Board members, a senior executive, or the secretary of the Issuer's board of directors

None of the Committee. Board members of Amana Company (or the proposed the Board members in the Merging company), senior executives or the Secretary of the Board of Directors have been exposed to any case of bankruptcy.

6.10 Details of any insolvency in the previous five years of a company in which any of the Issuer's board members, proposed the Board members, a senior executive, or the secretary of the Issuer's board of directors was appointed by the insolvent company to a managerial or supervisory position therein

No insolvency case has been recorded in the previous five years for a company where any of the board members of Amana Company, the proposed the Board members of Amana Company, a senior executive of Amana Company, or the secretary of the board of directors of Amana Company was appointed by the insolvent company in a managerial or supervisory position therein.

7. STATEMENTS BY EXPERTS

The Consultants whose names appear in the Section ("**Company Guide**") have provided their written consent to have their names, addresses, logos and statements made available in accordance with the context in this Circular, and none of them has withdrawn that consent as of the date of this Circular. They also do not have any shares or interest of any kind in Amana Company or Enaya Company. No expert testimony is included in this circular.

8. EXPENSES

The costs and expenses related to completing the Merger are estimated at about three million two hundred thousand Saudi riyals (SAR 3,200,000). These expenses include the fees of the financial advisor, legal advisor, financial professional care advisor, actuary, auditors and other advisors, in addition to government agency fees, marketing, printing and distribution expenses and all other costs or expenses related to the Merger. It should be noted that the amount of costs and expenses referred to above does not include the costs related to the Merger of the business of Amana Company and Enaya Company after the completion of the Merger.

9. WAIVERS

Amana Company has not submitted any waiver request to the CMA.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Amana Company will provide copies of the following documents for review at its head office (Address: Riyadh, Salah Al-Din Al-Ayoubi Street, Platinum Center - Second Floor, PO Box 27986, Riyadh 11427, Kingdom of Saudi Arabia) during normal business hours on any business day from the date of publication of this circular until the end of the Offer period.

- Articles of Association of Amana Company, including all amendments to date (if any) and its Articles of Association.
- Articles of Association of Enaya Company, including all amendments to date (if any) and its Articles of Association.
- The Merger Agreement between Amana Company and Enaya Company (in English).
- The audited financial statements of Amana Company for the facial years ended on December 31, 2017G, December 31, 2018G, December 31, 2019G and December 31, 2020G
- The audited financial statements of Enaya Company for the facial years ended on December 31, 2017G, December 31, 2018G, December 31, 2019G and December 31, 2020G
- The hypothetical financial statements reviewed that reflect the financial position of Amana Company, as if the Merger had taken place in the fiscal year 2020G.
- Evaluation report.
- Letters of consultants' approval to use their names, logos and statements in this circular.
- Termination fee letter.

11. Annexes

11.1 Annex (1): Enaya Company's annual financial statements for the facial years ending on December 31, 2017G, December 31, 2018G, December 31, 2019G and December 31, 2020G.

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2018

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PKF Al-Bassam & Co.
Allied Accountants
P.O. Box 15651
Jeddah – 21454

Sindi & Batterjee
Audit & Consultancy
Kreston International
Licence No. 76

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)
Jeddah, Kingdom of Saudi Arabia

Opinion
We have audited the financial statements of Saudi Enaya Cooperative Insurance Company – a Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Emphasis of matter
We draw attention to note 4 to the financial statements which indicates that during the year, the Company's accumulated losses exceeded 50% of its Share Capital. The Company's underwriting was also suspended by SAMA due to non-compliance with minimum solvency margin. On 10 June 2018, the Company absorbed SAR 100 million of accumulated losses against its share capital of 10 million shares. The Board of directors had already recommended an increase in the Company's capital through offering a rights issue with a total value of SAR 200 million.

As disclosed within note 4, the Company undertook the corrective actions as required by SAMA, resulting in resumption of the underwriting via a letter dated 24 January 2019 received from SAMA.

We further draw attention to note 22 to the financial statements, which indicates that the Company has successfully completed its right issue of SAR 200 million dated 16 January 2019. As of the date of this report, the Company is in the process of finalizing the legal formalities including updating of Company Commercial Registration Certificate, by-laws amongst others legal formalities.

Our opinion is not qualified in respect of the above matter.

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 Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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:

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2018, outstanding claims including claims Incurred But Not Reported (IBNR) amounted to Saudi Riyals 60,351 thousands as disclosed in Note 14 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods e.g. Chain ladder method, Bornhuetter ferguson method, expected loss ratio method etc. are used by the actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability. The Company's policies for claims and related judgments and estimates are disclosed in notes 2 and 3 to the financial statements respectively. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in note 17 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 19 to the financial statements. The Company's approach to claim related risk management has been disclosed in note 27 to the financial statements.	We understood and evaluated key controls around the claims handling and provision setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to challenge management's methodologies and assumptions, we were assisted by our internal actuary to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our internal actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

Other Information included in the Company's 2018 Annual Report
Management is responsible for the other information. Other information comprises the information included in the Company's 2018 annual report but does not include financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, 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 Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Companies' Law, the Company's By-laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISA 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 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 Company's internal control.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
SAUDI ENAYA COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) – (continued)
Jeddah, Kingdom of Saudi Arabia

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company'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 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 Company to cease to continue as a going concern.

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

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 PKF Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
Licence No. 337

for Sindi & Batterjee
Certified Public Accountants

Mazin Mohammed Batterjee
Certified Public Accountant
Licence No. 217

25 March 2019
18 Rajab 1440H
Jeddah, Kingdom of Saudi Arabia

C.R 1010385804
License 520
Allied Accountants
Certified Public Accountants

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018	31 December 2017
		SAR '000	
ASSETS			
Cash and cash equivalents	5	56,721	32,812
Short term murabaha deposits	6	82,882	134,863
Premiums receivable – net	7	17,429	114,890
Reinsurers' share of outstanding claims reserve	14	5,857	-
Reinsurers' share of claims incurred but not reported	14	2,103	798
Reinsurers' share of premium deficiency reserve	14	610	-
Prepaid expenses and other assets	12	15,381	28,727
Deferred policy acquisition costs	9	1,035	8,924
Investments	8	12,695	34,489
Property and equipment	11	2,446	1,930
Intangible assets	10	1,161	1,396
Statutory deposit	13	30,000	30,000
Accrued commission income on statutory deposit		2,318	1,460
TOTAL ASSETS		230,638	390,289
LIABILITIES			
Accrued and other liabilities		71,107	23,009
Reinsurers' balances payable		939	873
Unearned premiums	14	20,338	148,377
Outstanding claims	14	44,408	34,542
Claims incurred but not reported	14	15,943	14,108
Premium deficiency reserve	14	2,441	-
Other technical reserves	14	572	487
End-of-service indemnities	16	5,808	4,207
Zakat and income tax	21	10,698	8,298
Accrued commission income payable to SAMA		2,318	1,460
TOTAL LIABILITIES		174,572	235,361
SHAREHOLDERS' EQUITY			
Share capital	22	100,000	200,000
Accumulated losses		(44,708)	(45,072)
TOTAL SHAREHOLDERS' EQUITY		55,292	154,928
Re-measurement reserve of defined indemnities obligation – related to insurance operations		774	-
TOTAL EQUITY		56,066	154,928
TOTAL LIABILITIES AND EQUITY		230,638	390,289
COMMITMENTS AND CONTINGENCIES	15	13,045	13,045

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
REVENUES			
Gross premiums written		**138,244**	274,822
Reinsurance premiums ceded – foreign		**-**	1,153
Excess of loss expenses – foreign		**(22,358)**	(7,832)
Net premiums written		**115,886**	268,143
Changes in unearned premiums, net	17	**128,039**	(93,061)
Net premiums earned		**243,925**	175,082
TOTAL REVENUES		**243,925**	175,082
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**289,273**	111,574
Reinsurers' share of claims paid		**(28,021)**	(24,292)
Net claims paid		**261,252**	87,282
Changes in outstanding claims, net	17	**4,009**	34,542
Changes in claims incurred but not reported, net	17	**530**	(2,672)
Net claims incurred		**265,791**	119,152
Premium deficiency reserve	17	**1,831**	-
Other technical reserves	17	**85**	487
Policy acquisition costs		**14,779**	9,910
Other underwriting expenses		**4,369**	4,783
TOTAL UNDERWRITING COSTS AND EXPENSES		**286,855**	134,332
NET UNDERWRITING (LOSS) / INCOME		**(42,930)**	40,750

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
Other income		-	61
Release of / (allowance for) doubtful debts		122	(9,896)
General and administrative expenses	26	(52,968)	(48,629)
Commission income on deposits		3,849	3,377
Unrealized gain / (loss) on investments		92	(182)
TOTAL OTHER OPERATING EXPENSES		(48,905)	(55,269)
Net loss for the year		(91,835)	(14,519)
Net income attributed to the insurance operations		-	-
Net loss for the year attributable to the shareholders		(91,835)	(14,519)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000
Basic and diluted loss per share for the year (SR) – restated – 2017	22	(9.18)	(1.45)

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
Net loss for the year		(91,835)	(14,519)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gains on defined indemnities obligation – related to Insurance operations		774	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(91,061)	(14,519)

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

2018	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928
Total comprehensive loss for the year					
Net loss for the year	-	(91,835)	(91,835)	-	(91,835)
Other comprehensive income	-	-	-	774	774
Total comprehensive loss for the year	-	(91,835)	(91,835)	774	(91,061)
Reduction of share capital (note 22)	(100,000)	100,000	-	-	-
Transaction cost	-	(5,401)	(5,401)	-	(5,401)
Zakat for the year	-	(2,400)	(2,400)	-	(2,400)
Balance as at 31 December 2018	**100,000**	**(44,708)**	**55,292**	**774**	**56,066**

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

2017	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of defined indemnities obligation – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2016	200,000	(28,253)	171,747	-	171,747
Total comprehensive loss for the year					
Net loss for the year		(14,519)	(14,519)	-	(14,519)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(14,519)	(14,519)	-	(14,519)
Zakat for the year	-	(2,300)	(2,300)	-	(2,300)
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(91,835)	(14,519)
Adjustments for non-cash items:			
Depreciation of property and equipment		801	484
Amortization of intangible assets		942	1,973
Gain on sale of property and equipment		-	(50)
Allowance for doubtful debts		(122)	9,896
Unrealized gain on investments		(57)	130
Amortization of discount – net		(35)	53
Provision for end-of-service indemnities		2,834	-
		(87,472)	(2,033)
Changes in operating assets and liabilities:			
Premiums receivable		97,583	(73,925)
Reinsurers' share of unearned premiums		-	9,424
Reinsurers' share of outstanding claims		(5,857)	10,640
Reinsurers' share of incurred but not reported (IBNR) claims		(1,305)	-
Reinsurers' share of premium deficiency reserve		(610)	-
Deferred policy acquisition costs		7,889	(6,413)
Prepaid expenses and other assets		13,346	(24,845)
Accrued and other liabilities		48,098	10,912
Reinsurers' balances payable		66	(2,463)
Unearned premiums		(128,039)	83,637
Outstanding claims		9,866	34,542
Incurred but not reported claims		1,835	(13,312)
Premium deficiency reserve		2,441	-
Other technical reserves		85	487
Net cash (used in) / from operating activities		(42,074)	26,651
End-of-service indemnities paid		(459)	-
Zakat paid		-	(701)
Net cash flows (used in) / from operating activities		(42,533)	25,950
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(16,851)
Proceeds from sale of investments		21,886	17,171
Placement of short term murabaha deposits		-	(91,053)
Proceeds from maturity of short-term murabaha deposits		51,981	-
Purchase of property and equipment		(1,317)	(1,048)
Proceeds from sale of property and equipment		-	50
Purchase of intangible assets		(707)	(67)
Net cash flows from / (used in) investing activities		71,843	(91,798)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction costs		(5,401)	-
Net cash flows used in financing activities		(5,401)	-
Net change in cash and cash equivalents		23,909	(65,848)
Cash and cash equivalents, beginning of the year		32,812	98,660
Cash and cash equivalents, end of the year		56,721	32,812

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 31 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

Saudi Enaya Cooperative Insurance (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Saudi Enaya Cooperative Insurance
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435, Saudi Arabia

Following is the branch of the Company:

Branch	Commercial Registration Number:
Riyadh	1010421871

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal line of business include only The Company is licensed to underwrite medical insurance only.

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

2. BASIS OF PREPARATION

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB"). As per the SAMA Circular no. 381000074519 dated 11 April 2017 instead of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" and subsequent amendments through certain Clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings. As the Company's accounting policy for zakat and tax has always been consistent with SAMA's new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in the current or prior years.

The financial statements are prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, statutory deposit, end-of-service indemnities, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

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

During the current year, under the supervision of SAMA, the insurance companies' management prepared and adopted the illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, 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.

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

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 54 to 59 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing these financial statements the comparative amounts were also combined to conform with the current year presentation in line with SAMA requirements and this has no impact on the previously reported net profit and retained earnings. However, note 29 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION – (continued)

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

ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

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

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(e) Seasonality of operations

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for (change in accounting policy, if any) and adoption of the amendments to existing standards mentioned below which has had no material impact on these financial statements on the current year or prior years and is expected to have an insignificant effect in future years:

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

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Amendments	***Description***
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 – 2016 cycle.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to "revenue from insurance contracts". However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts).

The Company's management has assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

Employees-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 expected future wage 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 and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	Financial Instruments	Refer below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (note below)	1 January 2022

IFRS 9 - Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well we finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective – (continued)

IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company has decided not to early adopt this new standard.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the statement of financial position. The Company has decided not to early adopt this new standard, and the Company is currently in the phase of assessing the impact of the above standards.

c. The significant accounting policies used in the preparation of these financial statements are set out below:

i. Insurance contracts

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

ii. Revenue Recognition

Recognition of premium

Premiums are recorded in the statement of income based on straight line method over the insurance policy coverage period. Unearned premiums are calculated on a straight line method over the insurance policy coverage

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

iii. Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4(b) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 4(n). Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

v. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

vi. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

vii. Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts".

viii. Investments

i. Available for sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments." Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

ii. Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Reclassification:
Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Comapny's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Comapny's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Comapny's control that could not have been reasonably anticipated.

iv. De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vi. Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

vii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xii. Impairment of financial assets – (continued)

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under "Realized gain / (loss) on investments available for sale investments.

The determination of what is 'significant' or 'prolonged' requires judgement. A period of __ months or longer is considered to be prolonged and a decline of X% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

ix. Intangible assets

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

Software	4
Licenses	4

x. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income within operating expenses on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xi. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

xii. Employees' end-of-service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. 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 expected future wage 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 and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

xiii. Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Effective January 1, 2017, based on the Circular issued by SAMA, the Company amended its accounting policy to charge zakat and tax directly into retained earnings in the statement of changes in equity instead of statement of income.

xiv. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

xv. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

xvi. Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xvii. Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xviii. Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical - coverage for health insurance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

xix. Statutory reserves

In accordance with the Company's by-laws, the Company shall allocate 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. The reserve is not available for distribution.

xx. Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xxi. Accounts payable and accruals

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

xxii. Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and 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 amount of the obligation.

xxiii. Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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4. GOING CONCERN

On 8 May 2018, the Company announced on Tadawul that as on 31 March 2018, the Company's accumulated losses reached 74.5% of its share capital. Further, on 10 June 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. Subsequent to the reduction, as of 30 June 2018 and 30 September 2018, Company's accumulated losses represents 26.19% and 23.08% of the share capital, respectively.

On 27 May 2018, the Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 31 December 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements (note 23). Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. The Company has submitted the report as received from independent consultant to SAMA regarding the improvement in solvency requirement.

On 18 July 2018, the Company received a letter from SAMA indicating issues concerning the risk assessment procedures, corporate governance, contingency planning and internal control environment among other things (Note 23). Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and to provide final report from the consultant to SAMA within 60 working days from the date of the original letter. The Company has taken necessary actions to comply with SAMA's letter and has appointed the consultant to report on deficiencies in risk assessment procedures, corporate governance and other related matters. On 18 October 2018, the Company has submitted the report as received from consultant to SAMA.

On 12 December 2018, in an extra ordinary general meeting, the shareholders' approved to increase the share capital by SR 200 million through right issue. Subsequently to the year-end, the right issue procedures had finalized and the Company received the increased share capital on 16 January 2019. On 24 January 2019, the Company received a letter from SAMA uplifting the suspension on underwriting business.

These conditions raised uncertainty on the Company's ability to continue as a going concern. However, subsequent to the increase in share capital and uplifting the suspension on Company underwriting in subsequent period, the management reconsidered the financial position and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	2018	2017
	SAR'000	
Bank balances and cash	**16,484**	32,389
	16,484	32,389

	Shareholders' operations	
	2018	2017
	SAR'000	
Bank balances and cash	**21**	27
Deposits maturing within 3 months from the acquisition date	**40,216**	396
	40,237	423

6. MURABAHA DEPOSITS

Murabaha deposits having original maturity of more than three months but less than a year, amounting to SR 82,882 thousand (2017: SR 134,863 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia, are presented in the statement of financial position of the shareholders separately. As of 31 December 2018, the deposit carrying commission rates ranges from 1.9% to 3.1% (31 December 2017: the deposit carrying commission rates ranges from 1.9% to 3%).

7. PREMIUMS RECEIVABLE – NET

Receivables comprise amounts due from the following:

	2018	2017
	SAR'000	
Policyholders	**16,635**	92,829
Brokers and agents	**15,211**	35,773
Related parties (note 20)	**1,911**	2,757
	33,757	131,359
Provision for doubtful receivables	**(16,328)**	(16,469)
Premiums receivable – net	**17,429**	114,890

Note: Premium balances receivable from brokers and agents at 31 December 2018 amounting to SAR 15.2 million (31 December 2017: SAR 35.7 million) are ultimately due from customers that are insured through brokers and agents.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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7. PREMIUMS RECEIVABLE – NET - (continued)

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

	2018	2017
	SR'000	
Balance at the beginning of the year	**16,469**	6,573
Release / (provision) during the year	**(122)**	9,896
Write-offs during the year	**(19)**	-
Balance at the end of the year	**16,328**	16,469

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	Total
			SR'000		
31 December 2018	**1,193**	**1,262**	**10,794**	**4,180**	**17,429**
31 December 2017	70,820	20,034	22,190	1,846	114,890

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

In respect of premium receivables, ten major customers account for 19.3% of the balance as at 31 December 2018 (31 December 2017: 36.5%).

8. INVESTMENTS

Investments are classified as follows:

8.1

	Shareholders' operations	
	2018	2017
	SAR'000	
- Held as FVSI	**7,695**	7,638
- Held to maturity	**5,000**	26,851
	12,695	34,489

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8. INVESTMENTS - (continued)

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

	Shareholders' operations	
	2018	2017
	SAR'000	
Opening balance	**7,638**	9,964
Purchases during the year	**-**	10,000
Disposals during the year	**-**	(12,196)
Changes in fair value of investments	**57**	(130)
Closing balance	**7,695**	7,638

	2018	2017
	SR'000	
Al Badr Murabaha Fund	**7,044**	6,930
Saudi Fransi GCC IPO Fund	**651**	708
	7,695	7,638

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2018	2017
	SAR'000	
Opening balance	**26,851**	25,028
Placement during the year	**-**	6,851
Matured during the year	**(21,886)**	(4,975)
Amortization of held to maturity investments	**35**	(53)
Closing balance	**5,000**	26,851

9. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2018**	2017
	SAR'000	
Balance at the beginning of the year	**8,924**	2,511
Additions during the year	**6,890**	16,323
Amortised during the year	**(14,779)**	(9,910)
Balance at the end of the year	**1,035**	8,924

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10. INTANGIBLES ASSETS

	2018	2017
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**21,351**	21,284
Additions during the year	**707**	67
Balance at the end of the year	**22,058**	21,351
Amortization:		
Balance at the beginning of the year	**19,955**	17,982
Charge for the year	**942**	1,973
Balance at the end of the year	**20,897**	19,955
Net book value as at 31 December	**1,161**	1,396

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

11. PROPERTY AND EQUIPMENT

Insurance Operations	*Leasehold improvements*	*Computer equipment*	*Motor vehicles*	*Furniture fittings and office equipment*	*Total*
			SR'000		
Cost:					
At 1 January 2017	4,165	8,681	294	2,409	15,549
Additions during the year	240	312	339	157	**1,048**
Disposal during the year	-	-	(184)	-	**(184)**
At 31 December 2017	4,405	8,993	449	2,566	16,413
Additions during the year	287	964	-	66	1,317
At 31 December 2018	**4,692**	**9,957**	**449**	**2,632**	**17,730**
Accumulated depreciation:					
At 01 January 2017	4,038	8,497	294	1,354	14,183
Charge for the year	**118**	91	53	222	484
Disposal during the year	-	-	(184)	-	**(184)**
At 31 December 2017	4,156	8,588	163	1,576	14,483
Charge for the year	187	329	68	217	801
At 31 December 2018	**4,343**	**8,917**	**231**	**1,793**	**15,284**
Net book value as at 31 December 2018	**349**	**1,040**	**218**	**839**	**2,446**
Net book value as at 31 December 2017	249	405	286	989	1,930

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12. PREPAID EXPENSES AND OTHER ASSETS

	2018	*2017*
	SR'000	
Insurance Operations		
Prepayments	**1,624**	1,696
Advances to suppliers	**2,557**	2,798
Input VAT	**6,532**	6,705
Margin deposit (note 15 & 21)	**-**	13,045
Others	**3,549**	3,562
	14,262	27,806

Shareholders' Operations	*2018*	*2017*
	SR'000	
Accrued income	**1,069**	819
Prepaid expenses	**50**	102
	1,119	921

13. STATUTORY DEPOSIT

As required by SAMA implementing Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SR 30 million, in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 10 June 2018, the Company has reduced its share capital by SR 100 million (note 22) but has not withdrawn the surplus statutory deposit of SR 15 million as of 31 December 2018.

14. TECHNICAL RESERVES

14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2018	2017
	SAR'000	
Outstanding claims reserve	**44,408**	34,542
Claims incurred but not reported	**15,943**	14,108
	60,351	48,650
Premium deficiency reserve	**2,441**	-
Other technical reserves	**572**	487
	63,364	49,137
Less:		
- Reinsurers' share of outstanding claims reserve	**(5,857)**	-
- Reinsurers' share of claims incurred but not reported	**(2,103)**	(798)
- Reinsurers' share of premium deficiency reserve	**(610)**	-
	(8,570)	(798)
Net outstanding claims and reserves	**54,794**	48,339

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14. TECHNICAL RESERVES – (continued)

14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2018		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	148,377	-	148,377
Premium written during the year	138,244	(22,358)	115,886
Premium earned during the year	(266,283)	22,358	(243,925)
Balance as at the end of the year	**20,338**	**-**	**20,338**

	2017		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	64,740	(9,424)	55,316
Premium written during the year	274,822	(6,679)	268,143
Premium earned during the year	(191,185)	16,103	(175,082)
Balance as at the end of the year	148,377	-	148,377

15. COMMITMENTS AND CONTINGENCIES

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

	2018	2017
	SAR'000	
Letters of guarantee	**13,045**	13,045
Total	**13,045**	13,045

b. There were no capital commitments outstanding as at 31 December 2018 (31 December 2017: Nil).

c. As at 31 December 2018, a payment guarantee amounting to SR 0.5 million (31 December 2017: SR 0.5 million) was issued to the medical service providers on behalf of the Company.

d. As at 31 December 2018, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2017: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 21), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2017: SR Nill) with Saudi Arabian British Bank.

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16. END OF SERVICE IMDEMNITIES

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 recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

16.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2018 SAR'000
Present value of defined benefit obligation	5,808
	5,808

16.2 Movement of defined indemnities obligation

	2018 SAR'000
Opening balance	4,207
Charge to statement of income	2,834
Charge to statement of other comprehensive income	(774)
Payment of benefits during the year	(459)
Closing balance	5,808

16.3 Reconciliation of present value of defined indemnities obligation

	2018 SAR'000
Opening balance	4,207
Current service costs	2,621
Financial costs	213
Actuarial loss from experience adjustments	(774)
Benefits paid during the year	(459)
	5,808

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16. END OF SERVICE IMDEMNITIES – (continued)

16.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined indemnities obligation liability:

	2018
Valuation discount rate	5%
Expected rate of increase in salary level across different age bands	4%

The impact of changes in sensitivities on present value of defined indemnities obligation is as follows:

Valuation discount rate	2018 SAR'000
- Increase by 1%	(629)
- Decrease by 1%	752
Expected rate of increase in salary level across different age bands	
- Increase by 1%	752
- Decrease by 1%	(641)

Projected future indemnities payment (5 years)	2018 SAR'000
2019	488
2020	415
2021	469
2022	664
2023	2,411

The average duration of the defined indemnities plan obligation at the end of the reporting period is 13.5 years.

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17. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2018			2017		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	34,542		34,542	27,420	(11,438)	15,982
Incurred but not reported reserves	14,108	(798)	13,310			
Other technical reserves	487	-	487	-	-	-
Balance – 1 January	49,137	(798)	48,339	27,420	(11,438)	15,982
Claim paid	(289,273)	28,021	(261,252)	(111,574)	24,292	(87,282)
Claims incurred	300,974	(35,183)	265,791	133,291	(13,652)	119,639
Premium deficiency reserve	2,441	(610)	1,831	-	-	-
Other technical reserves	85	-	85			
Balance – 31 December	63,364	(8,570)	54,794	49,137	(798)	48,339
Outstanding claims	44,408	(5,857)	38,551	49,137	(798)	48,339
Incurred but not reported reserves	15,943	(2,103)	13,840			
Premium deficiency reserve	2,441	(610)	1,831	-	-	-
Other technical reserves	572	-	572			
Total	63,364	(8,570)	54,794	49,137	(798)	48,339

Claims Triangulation Analysis by accident year

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

2018 Accident year	2014 & earlier	2015	2016	2017	2018	Total
SR '000						
Gross estimate of ultimate claims costs:						
At the end of accident year	46,288	35,578	69,009	131,513	257,579	257,579
One year later	49,581	36,890	70,596	177,450	-	177,450
Two years later	49,632	37,082	70,591	-	-	70,591
Three years later	49,632	37,071	-	-	-	37,071
Four years later	49,632	-	-	-	-	49,632
Five years later	21,613	-	-	-	-	21,613
Current estimate of cumulative claims	71,245	37,071	70,591	177,450	257,579	613,936
Cumulative payments to date	(71,245)	(37,071)	(70,591)	(177,448)	(194,217)	(550,572)
Liability recognised in statement of financial position	-	-	-	2	63,362	63,364

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17. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES – (continued)

2017

Accident year	2013	2014	2015	2016	2017	Total
SR '000						
Gross estimate of ultimate claims costs:						
At the end of accident year	21,237	46,288	35,578	69,009	131,513	131,513
One year later	23,198	49,581	36,890	70,596	-	70,596
Two years later	21,613	49,632	37,082	-	-	37,082
Three years later	21,613	49,632	-	-	-	49,632
Four years later	21,613	-	-	-	-	21,613
Current estimate of cumulative claims	21,613	49,632	37,082	70,596	131,513	310,436
Cumulative payments to date	(21,613)	(49,632)	(37,082)	(69,884)	(83,088)	(261,299)
Liability recognised in statement of financial position	-	-	-	712	48,425	49,137

2018

Accident year	**2014 & earlier**	**2015**	**2016**	**2017**	**2018**	**Total**
SR '000						
Net estimate of ultimate claims costs:						
At the end of accident year	**23,144**	**17,789**	**36,776**	**117,396**	**233,159**	**233,159**
One year later	**24,791**	**18,445**	**39,019**	**150,598**		**150,598**
Two years later	**24,816**	**18,445**	**38,159**			**38,159**
Three years later	**24,816**	**18,445**				**18,445**
Four years later	**24,816**					**24,816**
Five years later	**10,807**					**10,807**
Current estimate of cumulative claims	**35,623**	**18,445**	**38,159**	**150,598**	**233,159**	**475,984**
Cumulative payments to date	**(35,623)**	**(18,445)**	**(38,159)**	**(150,597)**	**(178,366)**	**(421,190)**
Liability recognised in statement of financial position	-	-	-	**1**	**54,793**	**54,794**

2017

Accident year	2013	2014	2015	2016	2017	Total
SR '000						
Net estimate of ultimate claims costs:						
At the end of accident year	10,619	23,144	17,789	36,776	117,396	117,396
One year later	11,599	24,791	18,445	39,019	-	39,019
Two years later	10,807	24,816	18,445	-	-	18,445
Three years later	10,807	24,816	-	-	-	24,816
Four years later	10,807	-	-	-	-	10,807
Current estimate of cumulative claims	10,807	24,816	18,445	39,019	117,396	210,483
Cumulative payments to date	(10,807)	(24,816)	(18,445)	(38,583)	(69,493)	(162,144)
Liability recognised in statement of financial position	-	-	-	436	47,903	48,339

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

b. Carrying amounts and fair value

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2018					
Financial assets measured at fair value					
- Investments held as FVSI	7,695	7,695	-	-	7,695
	7,695	**7,695**	**-**	**-**	**7,695**
Financial assets not measured at fair value					
- Held to maturity investments	5,000	-	5,008	-	5,008
- Murabaha deposits	82,882	-	-	83,724	83,724
	87,882	**-**	**5,008**	**83,724**	**88,732**

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2017					
Financial assets measured at fair value					
- Investments held as FVSI	7,638	7,638	-	-	7,638
	7,638	7,638	-	-	7,638
Financial assets not measured at fair value					
- Held to maturity investments	26,851	-	26,939	-	26,939
- Murabaha deposits	134,863	-	-	135,594	135,594
	161,714	-	26,939	135,594	162,533

19. OPERATING SEGMENTS

A segment is a distinguishable component of the Company that is engaged in providing only Medical – coverage for health insurance, which is subject to risk and rewards. For management purposes, the Company is organized into business units based on their only Medical - coverage for health insurance product and service.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

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20. TRANSACTIONS WITH RELATED PARTIES

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

	Nature of transactions	Transactions for year ended		Balance receivable / (payable) as at	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		SAR'000			
Major shareholders					
Munich Re	Reinsurance ceded	-	(1,153)	-	-
Claims paid	Claims recovered	-	18,596	-	-
Other recoveries	Other recoveries	-	-	1,587	1,587
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	2,627	2,691	1,911	2,757
	Office rent	-	30	-	-
	Claims paid	3,716	3,067	-	-
	Purchase of computer equipment, licenses, vehicles and other services	27	216	-	-
	Commission paid	332	153	-	-

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December 2018 and 2017:

	2018	2017
	SAR'000	
Salaries and other allowances	4,074	4,043
End of service indemnities	151	149
	4,225	4,192

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21. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year	2018	2017
	SAR'000	
Balance at the beginning of the year	**8,298**	6,699
Charge for the year	**2,400**	2,300
Paid during the year	-	(701)
Balance at the end of the year	**10,698**	8,298

As the Company has incurred a loss during the year ended 31 December 2018, and in previous years, no provision has been established in respect of income tax in these financial statements.

b. Status of zakat assessments

The Company has filed its Zakat and tax return for the first twelve month year ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long year from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2017 and obtained restricted zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome. Accordingly, no provision has been established in this regard in these financial statements.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

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

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22. SHARE CAPITAL

The authorized, subscribed and paid up share capital of the Company was SR 200 million, divided into 20 million shares of SR 10 each.

On 9 May 2018, the Board of Directors had recommended reducing the Company's share capital from SR 200 million to SR 100 million divided into 10 million shares by offsetting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 26 Ramadan 1439H corresponding to 10 June 2018, the shareholders' of the Company have approved this reduction and the required changes in the Company by-laws relating to this reduction, accordingly the share capital and accumulated losses have been reduced by SR 100 million. The capital reduction was through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction was to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There will be no impact of capital reduction on the Company's financial obligations.

On 25 Rabi Al-Awwal 1439H, corresponding to 13 December 2017, the Board of directors had recommended an increase in the Company's capital through offering a rights issue with a total value of SR 200 million. The Company on 10 July 2018 and 1 November 2018 received approval from SAMA and CMA, respectively. On 12 December 2018, the shareholders in extra ordinary general meeting approved the increase of Share Capital by SR 200 million through right issue by offering 2 shares for every 1 share held by the shareholder. Subsequent to the year-ended 31 December 2018, the right share procedures had finalized and the capital deposited on 16 January 2019. As of the date of approval of these financial statements, the Company is in the process of finalizing the legal formalities including updating of Company Commercial Registration Certificate, by-laws amongst others legal formalities.

As at 31 December 2018, the authorised, subscribed and paid up share capital of the Company is SR 100 million, divided into 10 million shares of SR 10 each.

23. CAPITAL MANAGEMENT

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial period. On 12 Ramadan 1439H, corresponding to 27 May 2018, the Company received a letter from Saudi Arabian Monetary Authority (SAMA) regarding the suspension of underwriting of new or renewal of existing medical policies. SAMA also required the Company to appoint an approved advisor to study the reasons for the weak financial position and recommend solutions to improve the situation. The Company has submitted the report as issued by the appointed consultant as required by SAMA.

On 18 July 2018 corresponding to 5 Dhul Qaedah 1439H, the Company received a letter from SAMA concerning issues regarding risk assessment procedures, corporate governance, contingency planning and internal control environment amongst other things. The Company is required by SAMA to appoint an independent consultant approved by them within 15 working days and submit the required report and recommend solutions to improve the situation within 60 working days. The Company hired the consultant and submitted the report as received from consultant to SAMA.
Subsequent to the year-end, on 24 January 2019, the Company received a letter from SAMA uplifting the ban on underwriting business.

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24. SUBSEQUENT EVENT

Subsequent to 31 December 2018, the Company has finalized procedures related to increase in share capital of SR 200 million through right issue. The share capital proceeds has deposited on 16 January 2019. After meeting all the legal formalities, the Company share capital will be SR 300 million consisting of 30 million shares.
On 24 January 2019, the Company received a letter from SAMA uplifting the ban imposed on 27 May 2018 and allowing the Company to underwrite new business.

25. LOSS PER SHARE

Loss per share for the year has been calculated by dividing the net income/(loss) for the year by the weighted average number of issued and outstanding shares for the year. The Company has decreased its share capital by offsetting with accumulated losses (note 22), as a result the weighted average number of ordinary shares issued and outstanding in the prior year has been restated to 10 million shares and accordingly loss per share is restated.

26. GENERAL AND ADMINISTRATIVE EXPENSES

Insurance Operations	*2018* SAR'000	*2017*
Employee costs	**39,536**	36,814
Depreciation (note 11)	**801**	484
Amortization (note 10)	**942**	1,973
Rent expenses	**160**	2,260
Legal and professional fees	**1,696**	929
Repair and maintenance costs	**2,460**	1,224
Marketing expenses	**435**	255
Other expenses	**3,739**	3,427
	49,769	47,366

Shareholders Operations	*2018* SAR'000	*2017*
Legal and professional fees	**2,106**	657
Investment related expenses	**235**	231
Subscriptions	**364**	251
Committee fees	**10**	78
Others	**484**	46
	3,199	1,263

27. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's growth and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Audit committee

The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of insurance liabilities. The objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Saudi Arabia.

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net loss for the year.

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27. RISK MANAGEMENT – (continued)

	Change in assumptions	Impact on liabilities *SR' 000*	Impact on net loss for the year *SR' 000*
Ultimate loss ratio – Insurance Operations			
Year ended 31 December 2018	**± 5%**	**± 12,196**	**± 11,013**
Year ended 31 December 2017	± 5%	± 8,754	± 6,845

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Company has an Excess of Loss arrangement (XOL) with an international reinsurance company with Standard and Poors rating of "AA-". This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 8,570 thousand (31 December 2017: SR 798 thousand).

Regulatory framework risk
The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Capital management (solvency) risk
Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' values.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities.

The following information summarizes the minimum regulatory capital of the Company:

	2018 SR'000	2017 SR'000
Minimum regulatory capital	100,000	200,000

27. RISK MANAGEMENT – (continued)

Financial risk

The Company's principal financial instruments are cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurance receivable, other receivables, investments, amount due from a related party, amount due from Insurance Operations, outstanding claims, incurred but not reported claims, reinsurance balances payable, amount due to Shareholders' operations, amounts due to related parties and certain other liabilities.

The Company does not enter into derivative transactions. The main risks arising from the Company's financial instruments are market price risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 385 thousands (2017 : SR 382 thousands).

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*No fixed maturity*	*Total*
2018			*SR '000*		
Murabaha deposits	**40,215**	**82,882**	**-**	**-**	**123,097**
Investments held to maturity	**-**	**-**	**5,000**	**-**	**5,000**
	40,215	**82,882**	**5,000**	**-**	**128,097**
2017					
Murabaha deposits	396	134,863	-	-	135,259
Investments held to maturity	-	-	26,851	-	26,851
	396	134,863	26,851	-	162,110

The insurance operations did not have any commission bearing assets as at 31 December 2018 and 2017. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

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27. RISK MANAGEMENT – (continued)

Financial risk (continued)

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2018	*2017*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**2.37%**	2.19%
Investments held to maturity	**2.24%**	2.51%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

	2018	*2017*
	SR'000	
Shareholder's Operations		
Saudi Arabian Riyals:		
Increase in commission rates by 100 basis points	**1,281**	1,621
Decrease in commission rates by 100 basis points	**(1,281)**	(1,621)

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

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 Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

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27. RISK MANAGEMENT – (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2018	2017
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**16,484**	32,389
Premium receivable, net (note 7)	**17,429**	114,890
Reinsurer's share of outstanding claims	**5,857**	-
Reinsurer's share of outstanding claims	**2,103**	798
Reinsurer's share of premium deficiency reserve	**610**	-
Amount due from shareholders' operations	**96,298**	37,203
Other receivables	**185**	185
	138,966	185,465

	2018	2017
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**40,237**	423
Murabaha deposits (note 6)	**82,882**	134,863
Investments held to maturity	**5,000**	26,851
Statutory deposit	**30,000**	30,000
Other receivables	**3,437**	2,381
	161,556	194,518

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

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27. RISK MANAGEMENT – (continued)

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	16,454	-	-	16,454
Premiums receivable, net	-	2,189	15,240	17,429
Reinsurance share of outstanding claims	-	5,857	-	5,857
Reinsurance share of incurred but not reported claims	-	2,107	-	2,107
Reinsurance share of premium deficiency reserves	-	610	-	610
Amount due from shareholders' operations	-	96,298	-	96,298
Other receivables	-	185	-	185
As at 31 December 2018	**16,454**	**107,246**	**15,240**	**138,940**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	32,360	-	-	32,360
Premiums receivable, net	-	72,784	42,106	114,890
Reinsurance share of outstanding claims	-	798	-	798
Amount due from shareholders' operations	-	37,203	-	37,203
Other receivables	-	185	-	185
As at 31 December 2017	32,360	110,970	42,106	185,436

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27. RISK MANAGEMENT – (continued)

Shareholders' operations' financial assets

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	40,237	-	-	40,237
Investments	5,000	-	-	5,000
Other receivables	-	3,437	-	3,437
Statutory deposit	30,000	-	-	30,000
As at 31 December 2018	75,237	3,437	-	78,674

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	423	-	-	423
Investments	26,851	-	-	26,851
Other receivables	-	2,381	-	2,381
Statutory deposit	30,000	-	-	30,000
As at 31 December 2017	57,274	2,381	-	59,655

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for property and equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service benefits, which are non-current in nature.

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27. RISK MANAGEMENT – (continued)

Maturity profiles

Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2018			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**63,364**	-	-	**63,364**
Reinsurance balances payable	**939**	-	-	**939**
Accrued expenses and other liabilities	**66,462**	-	**5,808**	**72,270**
	130,765	-	**5,808**	**136,573**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**6,963**	-	-	**6,963**
	6,963	-	-	**6,963**
TOTAL FINANCIAL LIABILITIES	**137,728**	-	**5,808**	**143,536**

	2017			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	49,137	-	-	49,137
Reinsurance balances payable	873	-	-	873
Accrued expenses and other liabilities	22,742	-	4,207	26,949
	72,752	-	4,207	76,959
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	1,727	-	-	1,727
	1,727	-	-	1,727
TOTAL FINANCIAL LIABILITIES	74,479	-	4,207	78,686

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows 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 Company.

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28. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2018			31 December 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
ASSETS						
Cash and cash equivalents	16,484	40,237	**56,721**	32,389	423	32,812
Short term murabaha deposits	-	82,882	**82,882**	-	134,863	134,863
Premiums receivable – net	17,429	-	**17,429**	114,890	-	114,890
Reinsurers' share of outstanding claims	5,857	-	**5,857**	-	-	-
Reinsurers' share of claims incurred but not reported	2,103	-	**2,103**	798		798
Reinsurers' share of premium deficiency reserve	610	-	**610**	-	-	-
Deferred policy acquisition costs	1,035	-	**1,035**	8,924	-	8,924
Investments	-	12,695	**12,695**	-	34,489	34,489
Due from shareholders' operations	96,298	-	**96,298**	37,203	-	37,203
Prepaid expenses and other assets	14,262	1,119	**15,381**	27,806	921	28,727
Property and equipment	2,446	-	**2,446**	1,930	-	1,930
Intangible assets	1,161	-	**1,161**	1,396	-	1,396
Statutory deposit	-	30,000	**30,000**	-	30,000	30,000
Accrued income on statutory deposit	-	2,318	**2,318**	-	1,460	1,460
	157,685	**169,251**	**326,936**	225,336	202,156	427,492
Less: Inter-operations eliminations	(96,298)	-	**(96,298)**	(37,203)	-	(37,203)
TOTAL ASSETS	**61,387**	**169,251**	**230,638**	188,133	202,156	390,289

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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28. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2018			31 December 2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
LIABILITIES						
Accrued and other liabilities	66,462	4,645	**71,107**	22,742	267	23,009
Reinsurers' balances payable	939	-	**939**	873	-	873
Unearned premiums	20,338	-	**20,338**	148,377	-	148,377
Outstanding claims	44,408	-	**44,408**	34,542	-	34,542
Claims incurred but not reported	15,943	-	**15,943**	14,108	-	14,108
Premium deficiency reserve	2,441	-	**2,441**	-	-	-
Other technical reserves	572	-	**572**	487	-	487
Due to insurance operations	-	96,298	**96,298**	-	37,203	37,203
End-of-service indemnities	5,808	-	**5,808**	4,207	-	4,207
Zakat and income tax	-	10,698	**10,698**	-	8,298	8,298
Accrued commission income payable to SAMA	-	2,318	**2,318**	-	1,460	1,460
	156,911	113,959	**270,870**	225,336	47,228	272,564
Less: Inter-operations eliminations	-	(96,298)	**(96,298)**	-	(37,203)	(37,203)
TOTAL LIABILITIES	**156,911**	**17,661**	**174,572**	225,336	10,025	235,361
SHAREHOLDERS' EQUITY						
Share capital	-	100,000	**100,000**	-	200,000	200,000
Accumulated losses	-	(44,708)	**(44,708)**	-	(45,072)	(45,072)
TOTAL SHAREHOLDERS' EQUITY	-	55,292	**55,292**	-	154,928	154,928
Re-measurement reserve of defined indemnities obligation	774	-	**774**	-	-	-
	774	-	**56,066**	-		154,928
TOTAL LIABILITIES ' AND EQUITY	**157,685**	**72,953**	**230,638**	225,336	164,953	390,289
COMMITMENTS AND CONTINGENCIES	**500**	**12,545**	**13,045**	500	12,545	13,045

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28. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income – (continued)

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
REVENUES						
Gross premiums written	138,244	-	**138,244**	274,822	-	274,822
Reinsurance premiums ceded – foreign	-	-	-	1,153	-	1,153
Excess of loss expenses – foreign	(22,358)	-	**(22,358)**	(7,832)	-	(7,832)
Net premiums written	115,886	-	**115,886**	268,143	-	268,143
Changes in unearned premiums, net	128,039	-	**128,039**	(93,061)	-	(93,061)
Net premiums earned	243,925	-	**243,925**	175,082	-	175,082
TOTAL REVENUES	243,925	-	**243,925**	175,082	-	175,082
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	289,273	-	**289,273**	111,574	-	111,574
Reinsurers' share of claims paid	(28,021)	-	**(28,021)**	(24,292)	-	(24,292)
Net claims	261,252	-	**261,252**	87,282	-	87,282
Changes in outstanding claims	4,009		**4,009**	34,542		34,542
Changes in claims incurred but not reported	530	-	**530**	(2,672)	-	(2,672)
Net claims incurred	265,791	-	**265,791**	119,152	-	119,152
Premium deficiency reserve	1,831	-	**1,831**	-	-	-
Other technical reserves	85	-	**85**	487	-	487
Policy acquisition costs	14,779	-	**14,779**	9,910	-	9,910
Other underwriting expenses	4,369	-	**4,369**	4,783	-	4,783
TOTAL UNDERWRITING COSTS AND EXPENSES	286,855	-	**286,855**	134,332	-	134,332
NET UNDERWRITING (LOSS) / INCOME	(42,930)	-	**(42,930)**	40,750	-	40,750

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28. SUPPLEMENTARY INFORMATION (continued)

d) Statement of income – (continued)

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
OTHER OPERATING (EXPENSES) / INCOME						
Other income	-	-	-	61	-	61
Release of / (allowance for) doubtful debts	122	-	122	(9,896)	-	(9,896)
General and administrative expenses	(49,769)	(3,199)	(52,968)	(47,366)	(1,263)	(48,629)
Commission income on deposits	-	3,849	3,849	-	3,377	3,377
Unrealized gain / (loss) on investments	-	92	92	-	(182)	(182)
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(49,647)	742	(48,905)	(57,201)	1,932	(55,269)
NET LOSS FOR THE YEAR	(92,577)	742	(91,835)	(16,451)	1,932	(14,519)
Net Income attributed to the insurance operations	-	-	-	-	-	-
Net (loss) / income for the year attributed to shareholders' operations	(92,577)	742	(91,835)	(16,451)	1,932	(14,519)
Loss per share (Expressed in SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	-		10,000	-		10,000
Basic and diluted loss per share for the year (SR) – restated – 2017	-		(9.18)	-		(1.45)

e) statement of comprehensive income

For the year ended 31 December	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SAR '000					
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	(91,835)	(91,835)	-	(14,519)	(14,519)
Other comprehensive income / (loss)	-	-	-	-	-	-
Actuarial gains on define indemnities obligation	774	-	774	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	774	(91,835)	(91,061)	-	(14,519)	(14,519)

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28. SUPPLEMENTARY INFORMATION (continued)

f) Statement of cash flows

	Note	2018 Insurance operations	2018 Share-holders' operations	2018 Total	2017 Insurance operations	2017 Share-holders' operations	2017 Total
		SR '000					
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss for the year		-	(91,835)	**(91,835)**	-	(14,519)	(14,519)
Adjustments for non-cash items:							
Depreciation of property and equipment		801	-	**801**	484	-	484
Amortization of intangible assets		942	-	**942**	1,973	-	1,973
Gain on sale of property and equipment		-	-	**-**	(50)	-	(50)
Allowance for doubtful debts		(122)	-	**(122)**	9,896	-	9,896
Unrealized gain on investments		-	(57)	**(57)**	-	130	130
Amortization of discount – net		-	(35)	**(35)**	-	53	53
Provision for end-of-service indemnities		2,834	-	**2,834**	-	-	-
		4,455	(91,927)	**(87,472)**	12,303	(14,336)	(2,033)
Changes in operating assets and liabilities:							
Premiums receivable		97,583	-	**97,583**	(73,925)	-	(73,925)
Reinsurers' share of unearned premiums		-	-	**-**	9,424	-	9,424
Reinsurers' share of outstanding claims		(5,857)	-	**(5,857)**	10,640	-	10,640
Reinsurers' share of IBNR		(1,305)	-	**(1,305)**	-	-	-
Reinsurers' share of PDR		(610)	-	**(610)**	-	-	-
Deferred policy acquisition costs		7,889	-	**7,889**	(6,413)	-	(6,413)
Prepaid expenses and other assets		13,544	(198)	**13,346**	(25,000)	155	(24,845)
Accrued and other liabilities		43,720	4,378	**48,098**	10,789	123	10,912
Reinsurers' balances payable		66	-	**66**	(2,463)	-	(2,463)
Unearned premiums		(128,039)	-	**(128,039)**	83,637	-	83,637
Outstanding claims		9,866	-	**9,866**	34,542	-	34,542
Claims incurred but not reported		1,835	-	**1,835**	(13,312)	-	(13,312)
Premium deficiency reserve		2,441	-	**2,441**	-	-	-
Other technical reserves		85	-	**85**	487	-	487
Due to Insurance Operations		-	59,095	**59,095**	-	13,209	13,209
Due from Shareholders' Operations		(59,095)	-	**(59,095)**	(13,209)	-	(13,209)
Cash (used in) / from operating activities		(13,422)	(28,652)	**(42,074)**	27,500	(849)	26,651
End-of-service indemnities paid		(459)	-	**(459)**	-	-	-
Zakat paid		-	-	**-**	-	(701)	(701)
Net cash flows (used in) / from operating activities		(13,881)	(28,652)	**(42,533)**	27,500	(1,550)	25,950

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28. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows – (continued)

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
	SR '000					
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	(16,851)	(16,851)
Proceeds from sale of investments	-	21,886	**21,886**	-	17,171	17,171
Placement of short term murabaha deposits	-	-	-	-	(91,053)	(91,053)
Proceeds from maturing of short term murabaha deposits	-	51,981	**51,981**	-	-	-
Purchase of property and equipment	(1,317)	-	**(1,317)**	(1,048)	-	(1,048)
Proceeds from sale of property and equipment	-	-	-	50	-	50
Purchase of intangible assets	(707)	-	**(707)**	(67)	-	(67)
Net cash flows from/(used in) investing activities	(2,024)	73,867	**71,843**	(1,065)	(90,733)	(91,798)
CASH FLOWS FROM FINANCING ACTIVITIES						
Transaction costs	-	(5,401)	**(5,401)**	-	-	-
Net cash flows used in financing activities	-	(5,401)	**(5,401)**	-	-	-
Net change in cash and cash equivalents	(15,905)	39,814	**23,909**	26,435	(92,283)	(65,848)
Cash and cash equivalents, beginning of the year	32,389	423	**32,812**	5,954	92,706	98,660
Cash and cash equivalents, end of the year	16,484	40,237	**56,721**	32,389	423	32,812

29. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level interim statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 28 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 28 (b)).

30. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 14 Rajab 1440H, corresponding to 21 March 2019.

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Sindi & Batterjee
Audit & Consultancy
Kreston International

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Saudi Enaya Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the related statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Emphasis of matter
We draw attention to note 4 to the financial statements which indicates that during the year, the Company's accumulated losses exceeded 50% of its Share Capital. Subsequent to the year-end, on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst meeting others legal formalities.

Our opinion is not qualified in respect of the above matter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:

PKF Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Sindi & Batterjee
Audit & Consultancy
Kreston International

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2019, outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves amounted to SR 21.431 million, SR 18.493 million, SR 17.335 million and SR 1.460 million respectively as reported in Note 15 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability. *The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.*	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following: • Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. • Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge. • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Sindi & Batterjee
Audit & Consultancy
Kreston International

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2019 Annual Report

Management is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2019 annual report, other than the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company'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 the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 "ISAs" as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing ("ISAs") as 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 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 Company's internal control.

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

- Conclude on the appropriateness of the Managements' 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 Company'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 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 Company to cease to continue as a going concern.

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

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.

PKF Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Sindi & Batterjee
Audit & Consultancy
Kreston International

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Al-Bassam & Co.
Certified Public Accountants
P.O. Box 15651
Jeddah – 21454
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
Licence No. 337

for Sindi & Batterjee
Certified Public Accountants
P.O. Box 6685
Jeddah – 21452
Kingdom of Saudi Arabia

Mazin Mohammed Batterjee
Certified Public Accountant
Licence No. 217

22 March 2020
27 Rajab 1441H
Jeddah, Kingdom of Saudi Arabia

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**77,375**	56,721
Short term murabaha deposits	6	**76,036**	82,882
Premiums receivable – net	7	**44,859**	17,429
Reinsurer balance receivable	8	**2,995**	-
Reinsurer share of outstanding claims	15	**1,034**	5,857
Reinsurer share of claims incurred but not reported	15	**94**	2,103
Reinsurer share of premium deficiency reserve	15	**-**	610
Prepaid expenses and other assets	13	**14,975**	15,381
Deferred policy acquisition costs	10	**2,851**	1,035
Investments	9	**72,950**	12,695
Property and equipment	12	**2,392**	2,446
Intangible assets	11	**1,106**	1,161
Statutory deposit	14	**45,000**	30,000
Accrued commission income on statutory deposit		**3,492**	2,318
TOTAL ASSETS		**345,159**	230,638
LIABILITIES			
Accrued and other liabilities	17	**36,232**	71,107
Reinsurer balance payable	8	**-**	939
Unearned premiums	15	**75,920**	20,338
Outstanding claims	15	**21,431**	44,408
Claims incurred but not reported	15	**18,493**	15,943
Premium deficiency reserve	15	**17,335**	2,441
Other technical reserves	15	**1,460**	572
End-of-service indemnities	18	**5,934**	5,808
Zakat and income tax	23	**15,498**	10,698
Accrued commission income payable to SAMA		**3,492**	2,318
TOTAL LIABILITIES		**195,795**	174,572
SHAREHOLDERS' EQUITY			
Share capital	24	**300,000**	100,000
Accumulated losses		**(150,860)**	(44,708)
TOTAL SHAREHOLDERS' EQUITY		**149,140**	55,292
Re-measurement reserve of end-of-service indemnities – related to insurance operations		**224**	774
TOTAL EQUITY		**149,364**	56,066
TOTAL LIABILITIES AND EQUITY		**345,159**	230,638
COMMITMENTS AND CONTINGENCIES	16	**12,545**	13,045

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

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

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018 (restated)
		SAR '000	
REVENUES			
Gross premiums written		**154,028**	138,244
Excess of loss expenses – foreign		**-**	(22,358)
Net premiums written		**154,028**	115,886
Changes in unearned premiums, net	19	**(55,582)**	128,039
Net premiums earned	15	**98,446**	243,925
TOTAL REVENUES		**98,446**	243,925
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**139,694**	289,273
Reinsurer share of claims paid		**(6,933)**	(28,021)
Net claims paid		**132,761**	261,252
Changes in outstanding claims, net	19	**(18,154)**	4,009
Changes in claims incurred but not reported, net	19	**4,559**	530
Net claims incurred		**119,166**	265,791
Premium deficiency reserve	19	**15,504**	1,831
Other technical reserves	19	**888**	85
Policy acquisition costs		**4,451**	14,779
Other underwriting expenses		**3,413**	4,369
TOTAL UNDERWRITING COSTS AND EXPENSES		**143,422**	286,855
NET UNDERWRITING LOSS		**(44,976)**	(42,930)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
(Allowance for) / release of doubtful debts	7, 8	**(9,962)**	122
General and administrative expenses	29	**(53,882)**	(52,968)
Commission income on deposits		**6,666**	3,849
Unrealized gain on investments		**802**	92
TOTAL OTHER OPERATING EXPENSES		**(56,376)**	(48,905)
Net loss for the year		**(101,352)**	(91,835)
Net income attributed to the insurance operations		**-**	-
Net loss for the year attributable to the shareholders before zakat		**(101,352)**	(91,835)
Zakat for the year		**(4,800)**	(2,400)
Net loss for the year		**(106,152)**	(94,235)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)		**29,411**	15,673
Basic and diluted loss per share for the year (SR) – restated – 2018	28	**(3.61)**	(6.01)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
Net loss for the year		**(106,152)**	(94,235)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial (loss) / gain on defined indemnities obligation – related to Insurance operations		**(550)**	774
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(106,702)**	(93,461)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Related to shareholders'				
2019	**Share capital**	**Accumulated losses**	**Total shareholders' equity**	**Re-measurement reserve of end-of-service indemnities – related to insurance operations**	**Total equity**
	SAR '000				
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066
Total comprehensive loss for the year					
Net loss for the year	-	(106,152)	(106,152)	-	**(106,152)**
Other comprehensive income	-	-	-	(550)	**(550)**
Total comprehensive loss for the year	-	(106,152)	(106,152)	(550)	**(106,702)**
Increasing of share capital (note 24)	200,000	-	200,000	-	**200,000**
Balance as at 31 December 2019	**300,000**	**(150,860)**	**149,140**	**224**	**149,364**

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

2018	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2017	200,000	(45,072)	154,928	-	154,928
Total comprehensive loss for the year					
Net loss for the year	-	(94,235)	(94,235)	-	(94,235)
Other comprehensive income	-	-	-	774	774
Total comprehensive loss for the year	-	(94,235)	(94,235)	774	(93,461)
Reduction of share capital (note 24)	(100,000)	100,000	-	-	-
Transaction cost	-	(5,401)	(5,401)	-	(5,401)
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(101,352)	(91,835)
Adjustments for non-cash items:			
Depreciation of property and equipment	12	959	801
Amortization of intangible assets	11	808	942
Allowance for / (release of) doubtful debts	7, 8	9,962	(122)
Unrealized gain on investments	9	(655)	(57)
Amortization of discount – net	9	(147)	(35)
Provision for end-of-service indemnities	18	1,159	2,834
		(89,266)	(87,472)
Changes in operating assets and liabilities:			
Premiums receivable		(34,392)	97,583
Reinsurer balance receivable		(5,995)	-
Reinsurer share of outstanding claims		4,823	(5,857)
Reinsurer share of claims incurred but not reported		2,009	(1,305)
Reinsurer share of premium deficiency reserve		610	(610)
Deferred policy acquisition costs		(1,816)	7,889
Prepaid expenses and other assets		406	13,346
Accrued and other liabilities		(34,875)	48,098
Reinsurer balance payable		(939)	66
Unearned premiums		55,582	(128,039)
Outstanding claims		(22,977)	9,866
Claims incurred but not reported		2,550	1,835
Premium deficiency reserve		14,894	2,441
Other technical reserves		888	85
Net cash used in operating activities		(108,498)	(42,074)
End-of-service indemnities paid		(1,583)	(459)
Net cash flows used in operating activities		(110,081)	(42,533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(64,453)	-
Proceeds from sale of investments		5,000	21,886
Proceeds from maturity of short-term murabaha deposits		6,846	51,981
Increase in Statutory deposit		(15,000)	-
Purchase of property and equipment		(905)	(1,317)
Purchase of intangible assets		(753)	(707)
Net cash flows (used in) / from investing activities		(69,265)	71,843
CASH FLOWS FROM FINCING ACTIVITIES			
Issuance of right shares	24	200,000	-
Transaction costs		-	(5,401)
Net cash flows from / (used in) financing activities		200,000	(5,401)
Net change in cash and cash equivalents		20,654	23,909
Cash and cash equivalents, beginning of the year		56,721	32,812
Cash and cash equivalents, end of the year		77,375	56,721

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 34 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1.GENERAL

Saudi Enaya Cooperative Insurance (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Saudi Enaya Cooperative Insurance
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435, Saudi Arabia

Following is the branch of the Company:

Branch	***Commercial Registration Number:***
Riyadh	1010421871

The purpose of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By Laws and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only.

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

2. **BASIS OF PREPARATION**

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia (KSA) by Saudi Organization for Certified Public Accountants (SOCPA), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

Previously financial statements were prepared in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax, and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). As per Circular no. 2019/23099 dated 26 shaban 1440H, (corresponding to 1 May 2019) SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRSs and its interpretations as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 - Accounting Policies Changes in Accounting Estimates and Errors and the effects of this change is disclosed in note 32 to the financial statements

The financial statements are prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, statutory deposit, end-of-service indemnities, all other assets and liabilities are of short-term nature, unless, stated otherwise.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 30). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 64 to 70 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method, Expected Loss Ratio Method and Cape Cod Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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2. BASIS OF PREPARATION – (continued)

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

ii) Impairment of financial assets
The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

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

iv) Deferred tax
Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

v) Fair value of financial instruments
Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(e) Seasonality of operations
There are no seasonal changes that may affect insurance operations of the Company.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2018 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on interim condensed statement of changes in shareholders' equity for the period.

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

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Amendments	***Description***
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 – 2016 cycle.

IFRS 16 - Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has assessed the impact and concludes that the relevant new standard and interpretations applicable to the Company did not have any significant impact on these financial statements. Lease agreement is not falling under qualified lease. Thus, no right of use has been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 31 to the financial statements. The change has resulted in reduction of reported income for the year ended December 2018 by SR 2.4 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

Deferred tax

Deferred tax is calculated by using the statement of financial position liability method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the statement of financial position date. Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is charged or credited in the statement of income, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2019 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

The deferred tax liability has not been recorded since there are no temporary taxable differences.

Employees-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 expected future wage 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 and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Standard/ Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance Contracts (note below)	1 January 2022
IFRS 9	Financial Instruments	Refer below

IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

The General model is based on the following "building blocks":

A) the fulfilment cash flows (FCF), which comprise:
- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

A) changes in the entity's share of the fair value of underlying items ,
B) changes in the effect of the time value of money and financial risks not relating to the underlying items.

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4,is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2022. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

Impact
The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

Impact Area	Summary of Impact
Financial Impact	Company is still assessing Financial Impact
Data Impact / IT Systems	▪ New chart of accounts to be developed for PAA/ GMM. ▪ Actuarial and accounting data will be needed at more granular level. ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM. ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Identification of key inputs for onerous contracts test as well as defining 'facts and circumstance' for PAA contracts. ▪ Calculation and tracking of contractual service margin. ▪ Calculation of coverage period of risk attaching reinsurance contract.
Process Impact	▪ Finance, actuarial, underwriting and IT processes to be built suitable for IFRS 17 together with new set of controls and governance framework. ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources. ▪ Setting up new accounting policies each suitable for measurement model and technical decisions for each area. ▪ Monitor terms and conditions attaching to insurance and reinsurance contracts. ▪ New expense allocation process, acquisition costs, claims settlement costs and underwriting costs to be put in place to identify profitability at a contract level. ▪ For recognition, advance premium receipts to be compared to contract receipt date. ▪ Cash receipts for premiums need to be tracked at policy level. ▪ System to track coverage period for future products need to be put in place.
Impact on RI Arrangements	▪ Insurance contract liabilities / assets is required to be reported gross of reinsurance and a separate reinsurance asset / liability shall be reported. ▪ The cash flows (after factoring any expected credit loss) shall be reported gross (before reinsurance) and undiscounted. ▪ Cancellation clauses to be reviewed to assess the impact on measurement models relevant for these contracts.
Impact on Policies & Control Frameworks	▪ New Steering committee for IFRS 17 needs to be put in place ▪ Project plan for design and implementation to be set at activities level

The Company has started with their implementation process and have set up an implementation committee.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

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

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

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

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

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

b) Impairment:

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

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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

IFRS 9 – Financial Instruments (continued)

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
    a. the effective date of a new insurance contract standard; or
    b. annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

IFRS 9 - Financial Instruments (continued)

Impact assessment
As at 31 December 2019, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 323.835 million and SR 48.982 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 311.055 million (2018: SR 202.920 million). Fair value of unit linked investments held at fair value through statement of income as at 31 December 2019 is SR Nil million (2018: SR Nil million). Other financial assets consist of available for sale investments amounting to SR Nil million (2018: SR Nil million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Other financial assets have a fair value of SR 12.780 million as at 31 December 2019 with a fair value change during the year of SR 0.655 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 27. The Company financial assets have low credit risk as at 31 December 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

assets have low credit risk as at 31 December 2019 and 2018. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

c. The significant accounting policies used in the preparation of these financial statements are set out below:

i. Insurance contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

ii. Revenue Recognition

Recognition of premium

Premiums are recorded in the statement of income based on straight line method over the insurance policy coverage period. Unearned premiums are calculated on a straight line method over the insurance policy coverage
Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

iii. Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 4(b) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 4(n). Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

v. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the “Policy acquisition costs” in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

vi. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

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3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

vii. Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts".

viii. Investments

i. Available-for-sale investments

Available-for-sale financial assets if any, are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments." Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any

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3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

viii. Investments (continued)
i. Available-for-sale investments- (continued)

Reclassification (continued):

previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

ii. Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.
Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis.
Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Reclassification:

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Comapny's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.
However, sales and reclassifications in any of the following circumstances would not impact the Comapny's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Comapny's control that could not have been reasonably anticipated.

iv. De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

vi. Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets (continued)

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under “Realized gain / (loss) on investments available for sale investments.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market’s assessment of creditworthiness as reflected in the bond yields, rating agencies’ assessment of creditworthiness, country’s ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

ix. Intangible assets

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

Software	4
Licenses	4

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

x. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

xi. Employees' end-of-service benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. 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 expected future wage 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 and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

xii. Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any. At the finalization of final assessments are accounted for when such amounts are determined.

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes ("IAS 12") and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 31 to the financial statements. The change has resulted in reduction of reported income for the year ended 31 December 2018 by SR 2.4 million. The change has had no impact on the statement of cash flows for the year ended 31 December 2018.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xiii. Deferred Tax

The financial impact of adoption of accounting policy for Deferred tax is not material to the financial statements, therefore prior period amounts have not been restated.

xiv. Dividend distribution

Dividend distribution if any, to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

xv. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

xvi. Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

xvii. Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xviii. Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical - coverage for health insurance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

xix. Statutory reserves

In accordance with the Company's by-laws, the Company shall allocate 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. The reserve is not available for distribution.

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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xx. Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

xxi. Accounts payable and accruals

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

xxii. Provisions

rovisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event,
and 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 amount of the obligation.

xxiii. Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

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4. GOING CONCERN

On 8 May 2018, the Company announced on Tadawul that as on 31 March 2018, the Company's accumulated losses reached 74.5% of its share capital. Further, on 10 June 2018, in an Extraordinary General Assembly Meeting, it was resolved to reduce the Company's share capital from SR 200 million to SR 100 million. Accordingly, the Company absorbed SR 100 million of accumulated losses against its share capital of 10 million shares. As of 30 June 2018 and 30 September 2018, Company's accumulated losses represents 26.19% and 23.08% of the share capital, respectively.

On 27 May 2018, the Company received a letter from SAMA regarding non-compliance with the solvency requirement. As at 31 December 2018, the Company is not in full compliance with Article 66 of SAMA Insurance Implementing Regulations in relation to its solvency requirements. Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and update SAMA weekly on the progress. The Company has submitted the report as received from independent consultant to SAMA regarding the improvement in solvency requirement.

On 18 July 2018, the Company received a letter from SAMA indicating issues concerning the risk assessment procedures, corporate governance, contingency planning and internal control environment among other things. Further, SAMA instructed the Company to hire an independent consultant within 15 working days to perform a detailed review over the weaknesses and observations identified and to provide final report from the consultant to SAMA within 60 working days from the date of the original letter. The Company has taken necessary actions to comply with SAMA's letter and has appointed the consultant to report on deficiencies in risk assessment procedures, corporate governance and other related matters. On 18 October 2018, the Company has submitted the report as received from consultant to SAMA.

On 12 December 2018, in an extra ordinary general meeting, the shareholders' approved to increase the share capital by SR 200 million through right issue. On 24 December 2018, the right issue procedures had finalized and the Company received the increased share capital on 16 January 2019. On 24 January 2019, the Company received a letter from SAMA uplifting the suspension on underwriting business.

As at 31 December 2019, the Company's accumulated losses reached 50.29% of its share capital (31 December 2018: 44.71%).

These conditions raised uncertainty on the Company's ability to continue as a going concern. However, Subsequent to the year-end, as mentioned in note 27 on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst meeting other legal formalities. The management considered the financial position and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	2019	2018
	SAR'000	
Bank balances and cash	**14,590**	16,484
	14,590	16,484

	Shareholders' operations	
	2019	2018
	SAR'000	
Bank balances and cash	**18**	21
Deposits maturing within 3 months from the acquisition date	**62,767**	40,216
	62,785	40,237
TOTAL	**77,375**	56,721

6. MURABAHA DEPOSITS

Murabaha deposits represents deposits with local bank that have investment grade credit ratings and have an original maturity of more than three months but less than a year, amounting to SR 76,036 thousand (2018: SR 82,882 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia. As of 31 December 2019, the deposit carrying commission rates ranges from 1.9% to 3.1% (31 December 2018: the deposit carrying commission rates ranges from 2.4% to 3.3%).

7. PREMIUMS RECEIVABLE – NET

Premium receivables comprise amounts due from the following:

	2019	2018
	SAR'000	
Policyholders	**44,929**	16,635
Brokers and agents	**12,472**	15,211
Related parties (note 22)	**10,748**	1,911
	68,149	33,757
Provision for doubtful receivables	**(23,290)**	(16,328)
Premiums receivable – net	**44,859**	17,429

Note: Premium balances receivable from brokers and agents at 31 December 2019 amounting to SAR 12.4 million (31 December 2018: SAR 15.2 million) are ultimately due from customers that are insured through brokers and agents.

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7. PREMIUMS RECEIVABLE – NET - (continued)

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

	2019	2018
	SR'000	
Balance at the beginning of the year	**16,328**	16,469
Release / (provision) during the year	**6,962**	(122)
Write-offs during the year	**-**	(19)
Balance at the end of the year	**23,290**	16,328

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	Up to three months	**Above three and up to six months**	**Above six and up to twelve months**	**Above twelve months**	**Total**
			SR'000		
31 December 2019	**21,755**	**15,520**	**7,584**	**-**	**44,859**
31 December 2018	1,193	1,262	10,794	4,180	17,429

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.
In respect of premium receivables, ten major customers account for 32.8% of the balance as at 31 December 2019 (31 December 2018: 19.3%).

8. REINSURER BALANCE RECEIVABLE

Reinsurer receivable comprise amounts due from the following:

	2019	2018
	SAR'000	
Gross receivable / (payable)	**5,995**	(939)
Provision for doubtful receivables	**(3,000)**	**-**
Reinsurer receivable – net	**2,995**	(939)

Movement in the allowance for doubtful reinsurer receivable during the year was as follows:

	2019	2018
	SAR'000	
Balance at the beginning of the year	**-**	-
Provision during the year	**3,000**	-
Balance at the end of the year	**3,000**	-

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9. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2019	2018
	SAR'000	
- Held as FVSI	**12,780**	7,695
- Held to maturity	**60,170**	5,000
	72,950	12,695

Movement in the Fair Value through Statement of Income (FVSI) investment balance is as follows:

	Shareholders' operations	
	2019	2018
	SAR'000	
Opening balance	**7,695**	7,638
Purchases during the year	**4,430**	-
Changes in fair value of investments	**655**	57
Closing balance	**12,780**	7,695

	2019	2018
	SR'000	
Saudi Aramco	**4,878**	-
Al Badr Murabaha Fund	**7,200**	7,044
Saudi Fransi GCC IPO Fund	**702**	651
	12,780	7,695

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2019	2018
	SAR'000	
Opening balance	**5,000**	26,851
Placement during the year	**60,023**	-
Matured during the year	**(5,000)**	(21,886)
Amortization of held to maturity investments	**147**	35
Closing balance	**60,170**	5,000

10. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2019**	2018
	SAR'000	
Balance at the beginning of the year	**1,035**	8,924
Paid during the year	**6,267**	6,890
Amortised during the year	**(4,451)**	(14,779)
Balance at the end of the year	**2,851**	1,035

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11. INTANGIBLES ASSETS

	2019	2018
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**22,058**	21,351
Additions during the year	**753**	707
Balance at the end of the year	**22,811**	22,058
Amortization:		
Balance at the beginning of the year	**20,897**	19,955
Charge for the year	**808**	942
Balance at the end of the year	**21,705**	20,897
Net book value as at 31 December	**1,106**	1,161

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

12. PROPERTY AND EQUIPMENT

Insurance Operations	***Leasehold improvements***	***Computer equipment***	***Motor vehicles***	***Furniture fittings and office equipment***	***Total***
			SR'000		
Cost:					
At 1 January 2018	4,405	8,993	449	2,566	16,413
Additions during the year	287	964	-	66	1,317
At 31 December 2018	4,692	9,957	449	2,632	17,730
Additions during the year	-	905	-	-	905
At 31 December 2019	**4,692**	**10,862**	**449**	**2,632**	**18,635**
Accumulated depreciation:					
At 01 January 2018	4,156	8,588	163	1,576	14,483
Charge for the year	187	329	68	217	801
At 31 December 2018	4,343	8,917	231	1,793	15,284
Charge for the year	177	503	66	213	959
At 31 December 2019	**4,520**	**9,420**	**297**	**2,006**	**16,243**
Net book value as at 31 December 2019	**172**	**1,442**	**152**	**626**	**2,392**
Net book value as at 31 December 2018	349	1,040	218	839	2,446

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13. PREPAID EXPENSES AND OTHER ASSETS

	2019	*2018*
	SR'000	
Insurance Operations		
Prepayments	**1,619**	1,624
Advances to suppliers	**2,921**	2,557
VAT Receivable	**4,023**	6,532
Others	**4,090**	3,549
	12,653	14,262

Shareholders' Operations	***2019***	*2018*
	SR'000	
Accrued income	**2,322**	1,069
Prepaid expenses	**-**	50
	2,322	1,119
Total	**14,975**	15,381

14. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 30 million (31 December 2018: SR 30 million), in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 16 January 2019, the Company has increased its share capital by SR 200 million and on 25 April 2019 placed an additional deposit amounting to SR 15 million. Therefore, the statutory deposit reached to SR 45 million equivalent to 15% of its paid up share capital.

15. TECHNICAL RESERVES

15.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2019	2018
	SAR'000	
Outstanding claims	**21,431**	44,408
Claims Incurred but not reported	**18,493**	15,943
	39,924	60,351
Premium deficiency reserve	**17,335**	2,441
Other technical reserves	**1,460**	572
	58,719	63,364
Less:		
- Reinsurer share of outstanding claims	**(1,034)**	(5,857)
- Reinsurer share of claims incurred but not reported	**(94)**	(2,103)
- Reinsurer share of premium deficiency reserve	**-**	(610)
	(1,128)	(8,570)
Net outstanding claims and reserves	**57,591**	54,794

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15. TECHNICAL RESERVES – (continued)

15.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2019		
	Gross	**Reinsurance**	**Net**
	SAR'000		
Balance as at the beginning of the year	**20,338**	**-**	**20,338**
Premium written during the year	**154,028**	**-**	**154,028**
Premium earned during the year	**(98,446)**	**-**	**(98,446)**
Balance as at the end of the year	**75,920**	**-**	**75,920**

	2018		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	148,377	-	148,377
Premium written during the year	138,244	(22,358)	115,886
Premium earned during the year	(266,283)	22,358	(243,925)
Balance as at the end of the year	20,338	-	20,338

16. COMMITMENTS AND CONTINGENCIES

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

	2019	2018
	SAR'000	
Letters of guarantee	**12,545**	13,045
Total	**12,545**	13,045

b. There were no capital commitments outstanding as at 31 December 2019 (31 December 2018: Nil).

c. As at 31 December 2019, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2018: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 21), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2018: SR 14 million) with Saudi Arabian British Bank.

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17. ACCRUED AND OTHER LIABILITIES

	2019	*2018*
	SR'000	
Payable to medical providers	**15,947**	53,361
Payable to suppliers	**924**	557
Inspection and supervision fees	**653**	119
Accrued expenses	**11,868**	4,639
Other liabilities	**6,840**	12,431
Total	**36,232**	71,107

18. END OF SERVICE IMDEMNITIES

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 recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

18.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2019	2018
	SAR'000	
Present value of defined benefit obligation	**5,934**	5,808
	5,934	5,808

18.2 Movement of defined indemnities obligation

	2019	2018
	SAR'000	
Opening balance	**5,808**	4,207
Charge to statement of income	**1,159**	2,834
Charge to statement of other comprehensive income	**550**	(774)
Payment of benefits during the year	**(1,583)**	(459)
Closing balance	**5,934**	5,808

18.3 Reconciliation of present value of defined indemnities obligation

	2019	2018
	SAR'000	
Opening balance	**5,808**	4,207
Current service costs	**1,159**	2,834
Actuarial loss from experience adjustments	**550**	(774)
Benefits paid during the year	**(1,583)**	(459)
	5,934	5,808

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18. END OF SERVICE IMDEMNITIES – (continued)

18.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined indemnities obligation liability:

	2019	2018
Valuation discount rate	**4.6%**	5%
Expected rate of increase in salary level across different age bands	**4%**	4%

The impact of changes in sensitivities on present value of end of service indemnities obligation is as follows:

Valuation discount rate	**2019**	2018
	SAR'000	
- Increase by 1%	**(687)**	(629)
- Decrease by 1%	**822**	752
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**819**	752
- Decrease by 1%	**(696)**	(641)

The impact of changes in sensitivities on present value of end of service indemnities is as follows:

	2019	2018
Valuation Discount rate		
Increase by 1%	**(5,248)**	(5,178)
Decreased by 1%	**6,756**	6,560
Expected rate of increase in salary level across different age bands		
Increase by 1%	**(6,752)**	(6,560)
Decreased by 1%	**(5,238)**	(5,167)
Mortality rate		
Increase by 20%	**(5,933)**	(5,807)
Decreased by 20%	**(5,935)**	(5,809)
Withdrawal Rate		
Increase by 20%	**(5,750)**	(5,649)
Decreased by 20%	**(6,110)**	(5,957)

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19. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2019			2018		
	Gross	**Due from reinsurers**	**Net**	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	**44,408**	**(5,857)**	**38,551**	34,542		34,542
Claims Incurred but not reported	**15,943**	**(2,103)**	**13,840**	14,108	(798)	13,310
Premium deficiency reserve	**2,441**	**(610)**	**1,831**	-	-	-
Other technical reserves	**572**	**-**	**572**	487	-	487
Balance – 1 January	**63,364**	**(8,570)**	**54,794**	49,137	(798)	48,339
Claim paid	**(139,694)**	**6,933**	**(132,761)**	(289,273)	28,021	(261,252)
Claims incurred	**119,267**	**(101)**	**119,166**	300,974	(35,183)	265,791
Premium deficiency reserve	**14,894**	**610**	**15,504**	2,441	(610)	1,831
Other technical reserves	**888**	**-**	**888**	85	-	85
Balance – 31 December	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794
Outstanding claims	**21,431**	**(1,034)**	**20,397**	44,408	(5,857)	38,551
Claims Incurred but not reported	**18,493**	**(94)**	**18,399**	15,943	(2,103)	13,840
Premium deficiency reserve	**17,335**	**-**	**17,335**	2,441	(610)	1,831
Other technical reserves	**1,460**	**-**	**1,460**	572	-	572
Total	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794

Claims Triangulation Analysis by accident year

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

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19. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES– (continued)

Claims Triangulation Analysis by accident year (continued)

2019					
Accident year	**2016**	**2017**	**2018**	**2019**	**Total**
SR '000					
Gross estimate of ultimate claims costs:					
At the end of accident year	**69,009**	**131,513**	**257,415**	**93,496**	**93,496**
One year later	**70,596**	**177,450**	**282,091**	**-**	**282,091**
Two years later	**70,591**	**178,482**	**-**	**-**	**178,482**
Three years later	**70,750**	**-**	**-**	**-**	**70,750**
Current estimate of cumulative claims	**70,750**	**178,482**	**282,091**	**93,496**	**624,819**
Cumulative payments to date	**(70,750)**	**(178,482)**	**(271,053)**	**(64,610)**	**-584,895**
Liability recognised in statement of financial position	**-**	**-**	**11,038**	**28,886**	**39,924**

2019					
Accident year	**2016**	**2017**	**2018**	**2019**	**Total**
SR '000					
Net estimate of ultimate claims costs:					
At the end of accident year	**36,776**	**117,396**	**233,159**	**91,859**	**91,859**
One year later	**39,019**	**150,598**	**259,122**	**-**	**259,122**
Two years later	**38,159**	**151,563**	**-**	**-**	**151,563**
Three years later	**38,287**	**-**	**-**	**-**	**38,287**
Current estimate of cumulative claims	**38,287**	**151,563**	**259,122**	**91,859**	**540,831**
Cumulative payments to date	**-38,287**	**-151,563**	**-248,985**	**-63,200**	**-502,035**
Liability recognised in statement of financial position	**-**	**-**	**10,137**	**28,659**	**38,796**

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20. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

b. Carrying amounts and fair value

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2019					
Financial assets measured at fair value					
- Investments held as FVSI	12,780	12,780	-	-	12,780
	12,780	**12,780**	**-**	**-**	**12,780**
Financial assets not measured at fair value					
- Held to maturity investments	60,170	-	60,714	-	60,714
- Murabaha deposits	76,036	-	-	77,742	77,742
	136,206	**-**	**60,714**	**77,742**	**138,456**

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20. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2018					
Financial assets measured at fair value					
- Investments held as FVSI	7,695	7,695	-	-	7,695
	7,695	7,695	-	-	7,695
Financial assets not measured at fair value					
- Held to maturity investments	5,000	-	5,008	-	5,008
- Murabaha deposits	82,882	-	-	83,724	83,724
	87,882	-	5,008	83,724	88,732

All of the investment and murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

21. OPERATING SEGMENTS

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

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22. TRANSACTIONS WITH RELATED PARTIES

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

	Nature of transactions	Transactions for year ended		Balance receivable / (payable) as at	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
		SAR'000			
Major shareholders					
Munich Re	Reinsurance ceded	**-**	**-**	-	-
Claims paid	Claims recovered	**-**	**-**	-	-
Other recoveries	Other recoveries	**-**	**-**	**-**	1,587
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	**2,209**	2,627	**1,231**	1,911
	Office rent	**-**	-	**-**	-
	Claims paid	**7,497**	3,716	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**421**	27	**-**	-
	Commission paid	**132**	332	**-**	-
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	**20,725**	-	**9,517**	-
	Claims paid	**4,353**	8,941	**(5,430)**	(5,611)
Related parties of International Medical Center	Claims paid	**2,204**	8,052	**(1,381)**	(6,211)

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22. TRANSACTIONS WITH RELATED PARTIES (continued)

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

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December 2019 and 2018:

	2019	2018
Top management executives	**SAR'000**	
Salaries and other allowances	**3,346**	4,074
End of service indemnities	**125**	151
	3,471	4,225

	2019	2018
Board and committees	**SAR'000**	
Board and committees remuneration and fees	**1,392**	9
	1,392	9

23. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year	**2019**	2018
	SAR'000	
Balance at the beginning of the year	**10,698**	**8,298**
Charge for the year	**4,800**	**2,400**
Balance at the end of the year	**15,498**	**10,698**

As the Company has incurred a loss during the year ended 31 December 2019, and in previous years, no provision has been established in respect of income tax in these financial statements.

23. ZAKAT AND INCOME TAX (continued)

b. Status of zakat assessments

The Company has filed its Zakat and income tax return for the first twelve month year ended 30 June 2012 with the General Authority of Zakat and Tax ("GAZT"). The Company has also filed its Zakat and income tax return for the long year from 8 February 2012 to 31 December 2013 and for the years from 2014 to 2018 and obtained restricted zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. The Company has filed an appeal against such assessment. The Company submitted an appeal against the GAZT treatment and is confident of a favourable outcome.

During 2017, the Company filed an appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") against the Preliminary Objection Committee's ("POC") decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

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

24. SHARE CAPITAL

As at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

On 12 December 2018, the shareholders in extra ordinary general meeting approved the increase of Share Capital by SR 200 million through right issue by offering 2 shares for every 1 share held by the shareholder. The right share procedures had finalized and the capital deposited on 16 January 2019. The Company incurred transaction cost of SR 5.40 million in respect to the increase in share capital, which has charged directly to the Statement of Changes in Equity as at 31 December 2018.

25. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been made as the Company made losses during the year.

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26. CAPITAL MANAGEMENT

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

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

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations 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 SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 31 December 2019 consists of paid up share Capital of SR 300 million (31 December 2018: SR 100 million) and accumulated loses of SAR 150.86 million (31 December 2018: SR 44.71 million) in the statement of financial position.

In the opinion of the Board of Directors the Company has fully complied with the externally imposed capital requirements during the reported financial period.

27. SUBSEQUENT EVENT

Subsequent to the year-end, on 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company announced on Tadawul the reduction of share capital and appointed a Financial Advisor to initiate the reduction process. As of the date of approval of these financial statements, the Company is in the process of obtaining approval from the regulatory authorities amongst others legal formalities.

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses, economic activity and increase in insurance claims mainly relating to the medical line of business in those jurisdictions. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the reserving of IBNR will be considered into the Company's estimates of future ultimate claim liability in 2020.

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28. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net (loss) for the year by the weighted average number of issued and outstanding shares for the year.

A) The weighted average number of shares have been adjusted retrospectively for prior period to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	2019	2018
	SAR'000	
Issued ordinary shares as at 01 January	**10,000**	**10,000**
Effect of bonus element of right share issue	**-**	**5,673**
Effect of right share issue	**19,411**	**-**
Balance at the end of the year	**29,411**	**15,673**

The weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.57 which is a ratio of the theoretical ex-rights price of SR 13.96 per ordinary share and the closing price of SR 21.88 per ordinary share on the last day on which the shares were traded before the right issue.

B) The basic and diluted loss per share is calculated as follows:

	2019	2018 (restated)
	SAR'000	
Net loss for the year (note 32)	**(106,152)**	**(94,235)**
Weighted average number of ordinary shares	**29,411**	**15,673**
Basic and diluted loss per share (SR) – Restated	**(3.61)**	**(6.01)**

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29. GENERAL AND ADMINISTRATIVE EXPENSES

Insurance Operations	***2019*** **SAR'000**	*2018*
Employee costs	**35,312**	39,536
Depreciation (note 12)	**959**	801
Amortization (note 11)	**808**	942
Rent expenses	**4,645**	160
Legal and professional fees	**2,206**	1,696
Repair and maintenance costs	**2,925**	2,460
Marketing expenses	**95**	435
Other expenses	**3,254**	3,739
	50,204	49,769

Shareholders Operations	***2019*** **SAR'000**	*2018*
Legal and professional fees	**463**	2,106
Investment related expenses	**328**	235
Subscriptions	**1,083**	415
Committee fees	**1,392**	10
Others	**412**	433
	3,678	3,199
Total	**53,882**	52,968

30. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's growth and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

30. RISK MANAGEMENT– (continued)

Audit committee
The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. The Company has limited its risk by imposing maximum claim amounts on contracts. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks
Since the Company operates in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.
Independent actuarial review of claims and claims reserves
In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.
Key assumptions
The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors

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30. RISK MANAGEMENT– (continued)

such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from providers and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 3.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson, Cape Cod and expected loss ratio methods.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net loss for the year.

	Change in assumptions	**Impact on net loss for the year** ***SR' 000***
Ultimate loss ratio – Insurance Operations		
Year ended 31 December 2019	**± 5%**	**± 4,922**
Year ended 31 December 2018	± 5%	± 12,196

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30. RISK MANAGEMENT– (continued)

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Company had an Excess of Loss arrangement (XOL) with an international reinsurance company with Standard and Poors rating of "AA-".

This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 1,128 thousand (31 December 2018: SR 8,570 thousand).

Regulatory framework risk
The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Capital management (solvency) risk
Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' values.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities.

The following information summarizes the minimum regulatory capital of the Company:

	2019	2018
	SR'000	SR'000
Minimum regulatory capital	**100,000**	**100,000**

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are

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30. RISK MANAGEMENT– (continued)
reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Risk Committee. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 639 thousands (2018: SR 385 thousands).

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

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30. RISK MANAGEMENT– (continued)

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*No fixed maturity*	*Total*
2019			***SR '000***		
Murabaha deposits	**62,767**	**76,036**	**-**	**-**	**138,803**
Investments held to maturity	**-**	**-**	**60,170**	**-**	**60,170**
	62,767	**76,036**	**60,170**	**-**	**198,973**
2018					
Murabaha deposits	40,215	82,882	-	-	123,097
Investments held to maturity	-	-	5,000	-	5,000
	40,215	82,882	5,000	-	128,097

The insurance operations did not have any commission bearing assets as at 31 December 2019 and 2018. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2019	*2018*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**2.91%**	2.37%
Investments held to maturity	**3.62%**	2.24%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

Market risk (continued)

	2019	*2018*
Shareholder's Operations	***SR'000***	
Increase in commission rates by 100 basis points	**1,990**	**1,281**
Decrease in commission rates by 100 basis points	**(1,990)**	**(1,281)**

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30. RISK MANAGEMENT– (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

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 Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2019	2018
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**14,590**	16,484
Premium receivable, net (note 7)	**44,859**	17,429
Reinsurers' receivable	**2,995**	-
Reinsurer's share of outstanding claims	**1,034**	5,857
Reinsurer's share of IBNR	**94**	2,103
Reinsurer's share of premium deficiency reserve	**-**	610
Amount due from shareholders' operations	**93,217**	96,298
Other receivables	**185**	185
	156,974	138,966

	2019	2018
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**62,785**	40,237
Murabaha deposits (note 6)	**76,036**	82,882
Investments held to maturity	**60,170**	5,000
Statutory deposit	**40,000**	30,000
Other receivables	**5,814**	3,437
	244,805	161,556

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30. RISK MANAGEMENT– (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**14,572**	**-**	**-**	**14,572**
Premiums receivable, net	**-**	**36,376**	**8,483**	**44,859**
Reinsurers' receivable	**-**	**2,995**	**-**	**2,995**
Reinsurance share of outstanding claims	**-**	**1,034**	**-**	**1,034**
Reinsurance share of incurred but not reported claims	**-**	**94**	**-**	**94**
Amount due from shareholders' operations	**-**	**93,217**	**-**	**93,217**
Other receivables	**-**	**185**	**-**	**185**
As at 31 December 2019	**14,572**	**133,901**	**8,483**	**156,956**

	Non-investment grade			
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	16,454	-	-	16,454
Premiums receivable, net	-	2,189	15,240	17,429
Reinsurance share of outstanding claims	-	5,857	-	5,857
Reinsurance share of incurred but not reported claims	-	2,107	-	2,107
Reinsurance share of premium deficiency reserves	-	610	-	610
Amount due from shareholders' operations	-	96,298	-	96,298
Other receivables	-	185	-	185
As at 31 December 2018	16,454	107,246	15,240	138,940

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30. RISK MANAGEMENT– (continued)

Shareholders' operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**62,785**	**-**	**-**	**62,785**
Investments	**60,170**	**-**	**-**	**60,170**
Other receivables	**-**	**5,814**	**-**	**5,814**
Statutory deposit	**45,000**	**-**	**-**	**45,000**
As at 31 December 2019	**167,955**	**5,814**	**-**	**173,769**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	40,237	-	-	40,237
Investments	5,000	-	-	5,000
Other receivables	-	3,437	-	3,437
Statutory deposit	30,000	-	-	30,000
As at 31 December 2018	75,237	3,437	-	78,674

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for property and equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service benefits, which are non-current in nature.

Maturity profiles
Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

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30. RISK MANAGEMENT– (continued)

	2019			
	Up to one year	***More than one year***	***No fixed maturity***	***Total***
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**58,718**	**-**	**-**	**58,718**
Reinsurance balances payable	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**34,994**	**-**	**5,934**	**40,928**
	93,712	**-**	**5,934**	**99,646**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**4,730**	**-**	**-**	**4,730**
	4,730	**-**	**-**	**4,730**
TOTAL FINANCIAL LIABILITIES	**98,442**	**-**	**5,934**	**104,376**

	2018			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
		SR' 000		
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	63,364	-	-	63,364
Reinsurance balances payable	939	-	-	939
Accrued expenses and other liabilities	66,462	-	5,808	72,270
	130,765	-	5,808	136,573
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	6,963	-	-	6,963
	6,963	-	-	6,963
TOTAL FINANCIAL LIABILITIES	137,728	-	5,808	143,536

Liquidity profile
None of the financial liabilities on the statement of financial position are based on discounted cash flows 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 Company.

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30. RISK MANAGEMENT– (continued)

Operational Risk

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

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

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

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31. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2019			31 December 2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
ASSETS						
Cash and cash equivalents	14,590	62,785	**77,375**	16,484	40,237	56,721
Short term murabaha deposits	-	76,036	**76,036**	-	82,882	82,882
Premiums receivable – net	44,859	-	**44,859**	17,429	-	17,429
Reinsurers' balances receivable	2,995	-	**2,995**	-	-	-
Reinsurers' share of outstanding claims	1,034	-	**1,034**	5,857	-	5,857
Reinsurers' share of claims incurred but not reported	94	-	**94**	2,103	-	2,103
Reinsurers' share of premium deficiency reserve	-	-	-	610	-	610
Deferred policy acquisition costs	2,851	-	**2,851**	1,035	-	1,035
Investments	-	72,950	**72,950**	-	12,695	12,695
Due from shareholders' operations	93,217	-	**93,217**	96,298	-	96,298
Prepaid expenses and other assets	12,653	2,322	**14,975**	14,262	1,119	15,381
Property and equipment	2,392	-	**2,392**	2,446	-	2,446
Intangible assets	1,106	-	**1,106**	1,161	-	1,161
Statutory deposit	-	45,000	**45,000**	-	30,000	30,000
Accrued income on statutory deposit	-	3,492	**3,492**	-	2,318	2,318
	175,791	262,585	**438,376**	157,685	169,251	326,936
Less: Inter-operations eliminations	(93,217)	-	**(93,217)**	(96,298)	-	(96,298)
TOTAL ASSETS	**82,574**	**262,585**	**345,159**	61,387	169,251	230,638

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31. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2019			31 December 2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
LIABILITIES						
Accrued and other liabilities	34,994	1,238	**36,232**	66,462	4,645	71,107
Reinsurers' balances payable	-	-	-	939	-	939
Unearned premiums	75,920	-	**75,920**	20,338	-	20,338
Outstanding claims	21,431	-	**21,431**	44,408	-	44,408
Claims incurred but not reported	18,493	-	**18,493**	15,943	-	15,943
Premium deficiency reserve	17,335	-	**17,335**	2,441	-	2,441
Other technical reserves	1,460	-	**1,460**	572	-	572
Due to insurance operations	-	93,217	**93,217**	-	96,298	96,298
End-of-service indemnities	5,934	-	**5,934**	5,808	-	5,808
Zakat and income tax	-	15,498	**15,498**	-	10,698	10,698
Accrued commission income payable to SAMA	-	3,492	**3,492**	-	2,318	2,318
	175,567	**113,445**	**289,012**	156,911	113,959	270,870
Less: Inter-operations eliminations	-	(93,217)	**(93,217)**	-	(96,298)	(96,298)
TOTAL LIABILITIES	**175,567**	**20,228**	**195,795**	156,911	17,661	174,572
SHAREHOLDERS' EQUITY						
Share capital	-	300,000	**300,000**	-	100,000	100,000
Accumulated losses	-	(150,860)	**(150,860)**	-	(44,708)	(44,708)
TOTAL SHAREHOLDERS' EQUITY	-	149,140	**149,140**	-	55,292	55,292
Re-measurement reserve of defined indemnities obligation	224	-	**224**	774	-	774
	224	-	**224**	774	-	56,066
TOTAL LIABILITIES ' AND EQUITY	**175,791**	**169,368**	**345,159**	157,685	72,953	230,638
COMMITMENTS AND CONTINGENCIES	-	**12,545**	**12,545**	500	12,545	13,045

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31. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income – (continued)

For the year ended 31 December	**2019**			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
REVENUES						
Gross premiums written:						
- Individual	1,423	-	1,423	375	-	375
- Micro enterprises	2,381	-	2,381	1,743	-	1,743
- Small enterprises	19,082	-	19,082	19,085	-	19,085
- Medium enterprises	47,418	-	47,418	39,997	-	39,997
- Large enterprises	83,724	-	83,724	77,044	-	77,044
Total gross premiums written	154,028	-	**154,028**	138,244	-	138,244
Reinsurance premiums ceded – foreign	-	-	**-**	-	-	-
Excess of loss expenses – foreign	-	-	**-**	(22,358)	-	(22,358)
Net premiums written	154,028	-	**154,028**	115,886	-	115,886
Changes in unearned premiums, net	(55,582)	-	**(55,582)**	128,039	-	128,039
Net premiums earned	98,446	-	**98,446**	243,925	-	243,925
TOTAL REVENUES	98,446	-	**98,446**	243,925	-	243,925
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	139,694	-	**139,694**	289,273	-	289,273
Reinsurers' share of claims paid	(6,933)	-	**(6,933)**	(28,021)	-	(28,021)
Net claims	132,761	-	**132,761**	261,252	-	261,252
Changes in outstanding claims	(18,154)		**(18,154)**	4,009		4,009
Changes in claims incurred but not reported	4,559	-	**4,559**	530	-	530
Net claims incurred	119,166	-	**119,166**	265,791	-	265,791
Premium deficiency reserve	15,504	-	**15,504**	1,831	-	1,831
Other technical reserves	888	-	**888**	85	-	85
Policy acquisition costs	4,451	-	**4,451**	14,779	-	14,779
Other underwriting expenses	3,413	-	**3,413**	4,369	-	4,369
TOTAL UNDERWRITING COSTS AND EXPENSES	143,422	-	**143,422**	286,855	-	286,855
NET UNDERWRITING (LOSS)	(44,976)	-	**(44,976)**	(42,930)	-	(42,930)

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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31. SUPPLEMENTARY INFORMATION (continued)

c) Statement of income – (continued)

For the year ended 31 December	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
OTHER OPERATING (EXPENSES) / INCOME						
(allowance for) / Release of doubtful debts	(9,962)	-	**(9,962)**	122	-	122
General and administrative expenses	(50,204)	(3,678)	**(53,882)**	(49,769)	(3,199)	(52,968)
Commission income on deposits	-	6,666	**6,666**	-	3,849	3,849
Unrealized gain on investments	-	802	**802**	-	92	92
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(60,166)	3,790	**(56,376)**	(49,647)	742	(48,905)
NET (LOSS) FOR THE YEAR	(105,142)	3,790	**(101,353)**	(92,577)	742	(91,835)
Net Income attributed to the insurance operations	-	-	**-**	-	-	-
Net (loss) / income for the year attributed to shareholders' operations	(105,142)	3,790	**(101,352)**	(92,577)	742	(91,835)
Zakat expense	-	(4,800)	(4,800)	-	(2,400)	(2,400)
Net (loss) for the period	(105,142)	(1,010)	**(106,152)**	(92,577)	(1,658)	(94,235)
Loss per share (SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)	-		**29,411**	-		15,673
Basic and diluted loss per share for the year (SR) – restated – 2018	-		**(3.61)**	-		(6.01)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

31. SUPPLEMENTARY INFORMATION (continued)

d) statement of comprehensive income

For the year ended 31 December	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	**(106,152)**	**(106,152)**	-	(94,235)	(94,235)
Other comprehensive income / (loss)	-	-	**-**	-	-	-
Actuarial (gain) / loss on define indemnities obligation	**(550)**	-	**(550)**	774	-	774
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(550)**	**(106,152)**	**(106,702)**	774	(94,235)	(93,461)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

31. SUPPLEMENTARY INFORMATION (continued)

e) Statement of cash flows

	2019			2018		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) for the year	-	(101,352)	**(101,352)**	-	(91,835)	(91,835)
Adjustments for non-cash items:						
Depreciation of property and equipment	959	-	959	801	-	801
Amortization of intangible assets	808	-	808	942	-	942
Gain on sale of property and equipment	-	-	-	-	-	-
Allowance for doubtful debts	9,962	-	**9962**	(122)	-	(122)
Unrealized gain on investments	-	(655)	**(655)**	-	(57)	(57)
Amortization of discount – net	-	(147)	**(147)**	-	(35)	(35)
Provision for end-of-service indemnities	1,159	-	**1,159**	2,834	-	2,834
	12,888	(102,154)	**(89,266)**	4,455	(91,927)	(87,472)
Changes in operating assets and liabilities:						
Premiums receivable	(34,392)	-	**(34,392)**	97,583	-	97,583
Reinsurers' balance receivable	(5,995)	-	**(5,995)**	-	-	-
Reinsurers' share of unearned premiums	-	-	**-**	-	-	-
Reinsurers' share of outstanding claims	4,823	-	**4,823**	(5,857)	-	(5,857)
Reinsurers' share of IBNR	2,009	-	**2,009**	(1,305)	-	(1,305)
Reinsurers' share of PDR	610	-	**610**	(610)	-	(610)
Deferred policy acquisition costs	(1,816)	-	**(1,816)**	7,889	-	7,889
Prepaid expenses and other assets	1,609	(1,203)	**406**	13,544	(198)	13,346
Accrued and other liabilities	(31,468)	(3,407)	**(34,875)**	43,720	4,378	48,098
Reinsurers' balances payable	(939)	-	**(939)**	66	-	66
Unearned premiums	55,582	-	**55,582**	(128,039)	-	(128,039)
Outstanding claims	(22,977)	-	**(22,977)**	9,866	-	9,866
Claims incurred but not reported	2,550	-	**2,550**	1,835	-	1,835
Premium deficiency reserve	14,894	-	**14,894**	2,441	-	2,441
Other technical reserves	888	-	**888**	85	-	85
Due to Insurance Operations	-	(3,081)	**(3,081)**	-	59,095	59,095
Due from Shareholders' Operations	3,081	-	**3,081**	(59,095)	-	(59,095)
Cash (used in) / from operating activities	1,347	(109,845)	**(108,498)**	(13,422)	(28,652)	(42,074)
End-of-service indemnities paid	(1,583)	-	**(1,583)**	(459)	-	(459)
Zakat paid	-	-	**-**	-	-	-
Net cash flows (used in) operating activities	(236)	(109,845)	**(110,081)**	(13,881)	(28,652)	(42,533)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

31. SUPPLEMENTARY INFORMATION (continued)

Statement of cash flows – (continued)

	2019			2018		
	Insurance operations	**Share-holders' operations**	**Tsotal**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	(64,453)	**(64,453)**	-	-	-
Proceeds from sale of investments	-	5,000	**5,000**	-	21,886	21,886
Placement of short term murabaha deposits	-	-	**-**	-	-	-
Proceeds from maturing of short term murabaha deposits	-	6,846	**6,846**	-	51,981	51,981
Increase in Statutory deposit	-	(15,000)	**(15,000)**	-	-	-
Purchase of property and equipment	(905)	-	**(905)**	(1,317)	-	(1,317)
Purchase of intangible assets	(753)	-	**(753)**	(707)	-	(707)
Net cash flows (used in) investing activities	(1,658)	(67,607)	**(69,265)**	(2,024)	73,867	71,843
CASH FLOWS FROM FINANCING ACTIVITIES						
Right shares issued	-	200,000	**200,000**	-	-	-
Transaction cost	-	-	**-**	-	(5,401)	(5,401)
Net cash flows from / (used in) financing activities	-	200,000	**200,000**	-	(5,401)	(5,401)
Net change in cash and cash equivalents	(1,894)	22,548	**20,654**	(15,905)	39,814	23,909
Cash and cash equivalents, beginning of the year	16,484	40,237	**56,721**	32,389	423	32,812
Cash and cash equivalents, end of the year	14,590	62,785	**77,375**	16,484	40,237	56,721

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

32. COMPARITIVE FIGURES

A). Zakat

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the year ended 31 December 2018:

Account	*Financial statement impacted*	*Balance previously reported*	*Effect of restatement*	*Balance restated*
		SR'000	*SR'000*	*SR'000*
Zakat	Statement of income	-	(2,400)	(2,400)
Net income for the year	Statement of income	(91,835)	(2,400)	(94,235)
Zakat	Statement of changes in Shareholders' equity	(2,400)	2,400	-
Total comprehensive income for the year	Statements of comprehensive Income and changes in Shareholders' equity	(91,835)	(2,400)	(94,235)
Loss per share for the year (SR)	Statement of income	(5.86)	(0.15)	(6.01)

B). Certain prior year figures have been reclassified to conform to current year presentation.

33. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 28 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 28 (b)).

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 20 Rajab 1441H, corresponding to 15 March 2020.

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)



Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Saudi Enaya Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the related statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:

PKF Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Crowe
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Member Crowe Global

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2020, outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves amounted to SR 39.307 million, SR 12.974 million, SR 14.545 million and SR 326 thousands respectively as reported in Note 15 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability. *The Company's disclosures about the significant accounting policies of the above mentioned key audit matter are included in Note 3 to the financial statements.*	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following: • Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. • Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge. • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Crowe
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CPA's & Consultants
Member Crowe Global

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2020 Annual Report

Management is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company'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 the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 "ISAs" as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PKF Ibrahim Ahmed Al-Bassam & Co
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing ("ISAs") as 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 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 Company's internal control.

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

- Conclude on the appropriateness of the Managements' 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 Company'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 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 Company to cease to continue as a going concern.

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

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, related safeguards.

PKF Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
Saudi Enaya Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Al-Bassam & Co.
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15 March 2021
2 Sha'ban 1442H
Jeddah, Kingdom of Saudi Arabia

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020	31 December 2019
		SAR '000	
ASSETS			
Cash and cash equivalents	5	**115,226**	77,375
Short term murabaha deposits	6	**40,068**	76,036
Premiums receivable, net	7	**49,116**	44,859
Reinsurer balance receivable	8	**191**	2,995
Reinsurer share of outstanding claims	16.1	**119**	1,034
Reinsurer share of claims incurred but not reported	16.1	**-**	94
Prepaid expenses and other assets	15	**6,780**	14,975
Deferred policy acquisition costs	10	**3,230**	2,851
Investments	9	**68,376**	72,950
Property and equipment, net	12	**2,173**	2,392
Intangible assets, net	11	**1,082**	1,106
Right of use assets, net	13.1	**2,743**	-
Statutory deposit	14	**22,500**	45,000
Accrued commission income on statutory deposit		**4,377**	3,492
TOTAL ASSETS		**315,981**	345,159
LIABILITIES			
Accrued and other liabilities	18	**36,025**	36,232
Unearned premiums	16.2	**67,504**	75,920
Outstanding claims	16.1	**39,307**	21,431
Claims incurred but not reported	16.1	**12,974**	18,493
Premium deficiency reserve	16.1	**14,545**	17,335
Other technical reserves	16.1	**326**	1,460
End-of-service indemnities	19	**4,970**	5,934
Lease liabilities	13.2	**2,218**	-
Zakat and income tax	24	**12,000**	15,498
Accrued commission income payable to SAMA		**4,377**	3,492
TOTAL LIABILITIES		**194,246**	195,795
SHAREHOLDERS' EQUITY			
Share capital	25	**150,000**	300,000
Accumulated losses	4	**(29,273)**	(150,860)
TOTAL SHAREHOLDERS' EQUITY		**120,727**	149,140
Re-measurement reserve on end-of-service indemnities – related to insurance operations		**1,008**	224
TOTAL EQUITY		**121,735**	149,364
TOTAL LIABILITIES AND EQUITY		**315,981**	345,159
COMMITMENTS AND CONTINGENCIES	17	**12,545**	12,545

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
REVENUES			
Gross premiums written	16.2	**165,874**	154,028
Excess of loss expenses		**-**	-
Net premiums written		**165,874**	154,028
Changes in unearned premiums		**8,416**	(55,582)
Net premiums earned	16.2	**174,290**	98,446
TOTAL REVENUES		**174,290**	98,446
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**139,752**	139,694
Reinsurer share of claims paid		**(996)**	(6,933)
Net claims paid		**138,756**	132,761
Changes in outstanding claims, net	20	**18,791**	(18,154)
Changes in claims incurred but not reported, net	20	**(5,425)**	4,559
Net claims incurred		**152,122**	119,166
Premium deficiency reserve	20	**(2,790)**	15,504
Other technical reserves	20	**(1,134)**	888
Policy acquisition costs	10	**5,916**	4,451
Other underwriting expenses		**3,315**	3,413
TOTAL UNDERWRITING COSTS AND EXPENSES		**157,429**	143,422
NET UNDERWRITING RESULT		**16,861**	(44,976)

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

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SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts		(181)	(9,962)
General and administrative expenses	30	(55,817)	(53,882)
Commission income on deposits		4,399	6,666
Unrealized gain on investments	9	186	655
Realized gain on investments		117	-
Dividend income		108	-
Amortization of discount, net	9	159	147
Other income		2,257	-
TOTAL OTHER OPERATING EXPENSES		(48,772)	(56,376)
Net loss for the year		(31,911)	(101,352)
Net income attributed to the insurance operations		-	-
Net loss for the year attributable to the shareholders before zakat		(31,911)	(101,352)
Release of zakat provision for prior years	24	5,298	-
Zakat provision for the current year	24	(1,800)	(4,800)
Net loss for the year		(28,413)	(106,152)
Loss per share (Expressed in SAR per share)			
Weighted average number of ordinary shares outstanding (in thousands)	29	15,000	14,411
Basic and diluted loss per share for the year (SR) – restated – 2019	29	(1.89)	(7.37)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

8

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
Net loss for the year		**(28,413)**	(106,152)
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gain / (loss) on defined indemnities obligation – related to Insurance operations	19	**784**	(550)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(27,629)**	(106,702)

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

9

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Related to shareholders'				
2020	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2019	**300,000**	**(150,860)**	**149,140**	**224**	**149,364**
Total comprehensive loss for the year					
Net loss for the year	-	(28,413)	(28,413)	-	(28,413)
Other comprehensive income	-	-	-	784	784
Total comprehensive loss for the year	-	(28,413)	(28,413)	784	(27,629)
Reduction of share capital (note 25)	(150,000)	150,000	-	-	-
Balance as at 31 December 2020	**150,000**	**(29,273)**	**120,727**	**1,008**	**121,735**

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

2019	Related to shareholders'				
	Share capital	Accumulated losses	Total shareholders' equity	Re-measurement reserve of end-of-service indemnities – related to insurance operations	Total equity
	SAR '000				
Balance as at 31 December 2018	100,000	(44,708)	55,292	774	56,066
Total comprehensive loss for the year					
Net loss for the year	-	(106,152)	(106,152)	-	(106,152)
Other comprehensive income	-	-	-	(550)	(550)
Total comprehensive loss for the year	-	(106,152)	(106,152)	(550)	(106,702)
Increasing of share capital (note 25)	200,000	-	200,000	-	200,000
Balance as at 31 December 2019	300,000	(150,860)	149,140	224	149,364

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(31,911)	(101,352)
Adjustments for non-cash items:			
Depreciation of property and equipment	12	1,030	959
Amortization of intangible assets	11	479	808
Depreciation of right of use assets	13.1	1,041	-
Finance cost on lease liabilities	13.2	49	-
Allowance for doubtful debts	7, 8	181	9,962
Unrealized gain on investments	9	(186)	(655)
Realized gain on investments		(117)	-
Amortization of discount, net	9	(159)	(147)
Provision for end-of-service indemnities	19	1,520	1,159
		(28,073)	(89,266)
Changes in operating assets and liabilities:			
Premiums receivable		(638)	(34,392)
Reinsurer balance receivable		(996)	(5,995)
Reinsurer share of outstanding claims		915	4,823
Reinsurer share of claims incurred but not reported		94	2,009
Reinsurer share of premium deficiency reserve		-	610
Deferred policy acquisition costs		(379)	(1,816)
Prepaid expenses and other assets		8,195	406
Accrued and other liabilities		(207)	(34,875)
Reinsurer balance payable		-	(939)
Unearned premiums		(8,416)	55,582
Outstanding claims		17,876	(22,977)
Claims incurred but not reported		(5,519)	2,550
Premium deficiency reserve		(2,790)	14,894
Other technical reserves		(1,134)	888
Net cash used in operating activities		(21,072)	(108,498)
End-of-service indemnities paid	19	(1,700)	(1,583)
Net cash flows used in operating activities		(22,772)	(110,081)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		-	(64,453)
Proceeds from sale of investments		5,036	5,000
Proceeds from maturity of short-term murabaha deposits		35,968	6,846
Decrease / (increase) in Statutory deposit		22,500	(15,000)
Purchase of property and equipment	12	(811)	(905)
Purchase of intangible assets	11	(455)	(753)
Net cash flows from / (used in) investing activities		62,238	(69,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of right shares	25	-	200,000
Payment of lease liabilities	13.2	(1,615)	-
Net cash flows (used in) / from financing activities		(1,615)	200,000
Net change in cash and cash equivalents		37,851	20,654
Cash and cash equivalents, beginning of the year		77,375	56,721
Cash and cash equivalents, end of the year		115,226	77,375

Chairman

Chief Financial Officer

Chief Executive Officer

The accompanying notes from 1 – 35 form an integral part of these financial statements.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1.GENERAL

Saudi Enaya Cooperative Insurance (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. 98/Q dated 16 Rabi Awwal 1433H. (Corresponding to 8 February 2012). The Company operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433H (corresponding to 19 February 2012). The registered address of the Company's head office is as follows:

Saudi Enaya Cooperative Insurance
Prince Sultan Street, Al Rawdah District
P.O. Box 3528
Jeddah 23435, Saudi Arabia

Following is the branch of the Company:

Branch	***Commercial Registration Number:***
Riyadh	1010421871

The purpose of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By Laws and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only.

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

On 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, the Company signed a non-binding Memorandum of Understanding ("MOU") with Amana Cooperative Insurance Company ("Amana") to evaluate a potential merger between the two companies. As at 31 December 2020, both companies are engaged in conducting technical, financial, legal and actuarial due diligence on the terms and conditions of the potential merger.

2. BASIS OF PREPARATION

(a) Basis of preparation

The financial statements for year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The financial statement were prepared under the going concern basis (note 4) and the historical cost convention, except for the measurement of investments at their fair value. The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, lease liabilities, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and Zakat and income tax. The following balances would generally be classified as non-current: end-of-service indemnities, lease liabilities related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, statutory deposit, Right of use assets, property and equipment, and intangible assets.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION – (continued)

(a) Basis of preparation – (continued)

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 32). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

Shareholders	90%
Policyholders	10%
	100%

In case of deficit arising from the Insurance Operations, the entire deficit is allocated and transferred to Shareholders' Operations.

The statement of financial position, statements of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 66 to 72 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

2. BASIS OF PREPARATION – (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are re-assessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method, Expected Claims / Loss Ratio Method and Cape Cod Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION – (continued)

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

ii) Impairment of financial assets
The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

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

iv) Deferred tax
Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2020 since the Company does not anticipate availability of future taxable profit to utilize any tax credits.

v) Fair value of financial instruments
Investments at fair value through Statement of income are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION – (continued)

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

vi) Impact of Covid-19

as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical line as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at 31 December 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 319 thousands (31 December 2019: Nil) as a premium deficiency reserve.

(e) Seasonality of operations

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2019 and new amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which had no material impact on the financial position or financial performance of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation. This did not have any impact on statement of changes in equity for the reporting period. Further, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic (refer to note 2(d,vi)). Management will continue to assess the situation, and reflect any required changes in future reporting periods.

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

The Company has adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Amendments to IFRS 3 – definition of a business
The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

Amendments to IAS 1 and IAS 8 – definition of material
The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

The adoption of the above amendment does not have any material impact on the Financial Statements during the year.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (see below)	Interest Rate Benchmark Reform – Phase 2	1 January 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts Cost of Fulfilling Contract	1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

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

NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts

Overview

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

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

i. embedded derivatives, if they meet certain specified criteria;
ii. distinct investment components; and
iii. any promise to transfer distinct goods or non-insurance services.

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

Measurement

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

The General model is based on the following "building blocks":

A) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

B) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.age, which comprises the FCF related to future services and the CSM of the group at that date;

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

i. changes in the entity's share of the fair value of underlying items ,
ii. changes in the effect of the time value of money and financial risks not relating to the underlying

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

Effective date

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

Transition

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

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Presentation and Disclosures

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

Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.
Systems	We are considering acquisition of IFRS 17 calculation system to accommodate calculation of Insurance contracts and Reinsurance held contracts in line with IFRS 17.
Financial Impact	The financial impact of adoption of IFRS 17 is not yet fully complete.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

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

Classification and measurement:

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

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

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

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

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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

Effective date
The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
a. the effective date of a new insurance contract standard; or
b. annual reporting periods beginning on or after 1 January 2023. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2020:

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

b. Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Effective date (continued)

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

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

Impact assessment
As at December 31, 2020, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 303.203 million and SR 49.426 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 291.926 million (2019: SR 311.055 million). Other financial assets consist of available for sale investments amounting to SR Nil (2019: SR Nil). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. As at December 31, 2020 debt securities are measured at fair value of nil with changes in fair value during the year of nil. Other financial assets have a fair value of SR 8.047 million as at December 31, 2020 with a fair value change during the year of 0.186 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 31. The Company financial assets have low credit risk as at December 31, 2020 and 2019. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review. We are in the process of building non-performance risk quantification for certain reinsurance held arrangements based on IFRS 9 ECL simplified approach.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(c)The significant accounting policies used in the preparation of these financial statements are set out below:

i. Insurance contracts

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

ii. Revenue Recognition

Recognition of premium

Premiums are recorded in the statement of income based on straight line method over the insurance policy coverage period. Unearned premiums are calculated on a straight line method over the insurance policy coverage.
Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Reinsurance

Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Income on these contracts is accounted for using the EIR method when accrued.

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Claims

Claims consist of amounts payable to providers, policyholders and third parties and related loss adjustment expenses, net of recoveries. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

iv. Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

v. Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vi. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

vii. Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 7 fall under the scope of IFRS 4 "Insurance contracts".

viii. Investments

i. Available-for-sale investments

Available-for-sale financial assets if any, are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments." Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

viii. Investments (continued)

i. Available-for-sale investments- (continued)

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

ii. Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

iii. Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis.
Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Reclassification:

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.
However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

iv. De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

vi. Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - Adverse changes in the payment status of issuers or debtors in the Company; or
  - National or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

vii. Impairment of financial assets (continued)

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under “Realized gain / (loss) on investments available for sale investments.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market’s assessment of creditworthiness as reflected in the bond yields, rating agencies’ assessment of creditworthiness, country’s ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

viii. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

Leasehold improvements	3
Computer equipment	4
Motor vehicles	5
Furniture, fittings and office equipment	4 – 10

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

ix. Right of use assets

The Company applies the cost model, and measures the right of use assets at cost:

A) Less any accumulated depreciation and any accumulated impairment losses; and
B) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, right of use asset would be equal to lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transactions, etc. These need to be added to the right of use asset value.

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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

x. Intangible assets

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

Software	4
Licenses	4

xi. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

xii. Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

A) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
B) Reducing the carrying amount to reflect the lease payments made; and
C) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

xiii. End-of-service indemnities

The Company operates an end-of-service indemnity plan for its employees based on the prevailing Saudi Labor Laws. 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 expected future wage 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 and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xiv. Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any at the finalization of final assessments are accounted for when such amounts are determined.

xv. Deferred Tax

The financial impact of adoption of accounting policy for Deferred tax is not material to the financial statements, therefore prior period amounts have not been restated.

xvi. Dividend distribution

Dividend distribution if any, to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

xvii. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

xviii. Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

xix. Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xx. Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical - coverage for health insurance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
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3. SIGNIFICANT ACCOUNTING POLICIES– (continued)

xxi. Statutory reserves

In accordance with the Company's by-laws, the Company shall allocate 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. The reserve is not available for distribution.

xxii. Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

xxiii. Accounts payable and accruals

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

xxiv. Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and 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 amount of the obligation.

xxv. Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4. GOING CONCERN

On 18 January 2020 corresponding to 23 Jamada Al-Awwal 1441H, the Company Board of Directors recommended to reduce the Company's share capital by SR 150 million through netting-off with the accumulated losses. Accordingly, on 19 January 2020 corresponding to 24 Jamada Al-Awwal 1441H, the Company appointed a Financial Advisor to initiate the reduction process. On 22 April 2020, in an Extraordinary General Assembly Meeting, it resolved to reduce the Company's share capital from SR 300 million to SR 150 million. As at 31 December 2020, the Company's accumulated losses represent 19.52% of its share capital (31 December 2019: 50.29%). The Company Board of Directors has approved the revised business plan. The Management is confident of having positive outcome of the strategy and contented that the Company's operations shall continue for foreseeable future under normal course of business and is satisfied that the going concern basis of preparation of the financial statements is appropriate. Accordingly, the financial statements has been prepared on the going concern basis.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	2020	2019
	SAR'000	
Bank balances and cash	**13,641**	14,590
	13,641	14,590

	Shareholders' operations	
	2020	2019
	SAR'000	
Bank balances and cash	**79**	18
Deposits maturing within 3 months from the acquisition date	**101,506**	62,767
	101,585	62,785
TOTAL	**115,226**	77,375

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

6. SHORT TERM MURABAHA DEPOSITS

Murabaha deposits represents deposits with local bank that have investment grade credit ratings and have an original maturity of more than three months but less than a year, amounting to SR 40,068 thousand (2019: SR 76,036 thousand), which are held in Saudi Arabian Riyals in the Kingdom of Saudi Arabia. As of 31 December 2020, the deposit carrying commission rates ranges from 1.2% to 3.3% (31 December 2019: 1.9% to 3.1%).

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7. PREMIUMS RECEIVABLE – NET

Premium receivables comprise amounts due from the following:

	2020	2019
	SAR'000	
Policyholders	**32,122**	44,929
Brokers and agents	**11,184**	12,472
Related parties (note 23)	**25,481**	10,748
	68,787	68,149
Provision for doubtful receivables	**(19,671)**	(23,290)
Premiums receivable – net	**49,116**	44,859

Note: Premium balances receivable from brokers and agents at 31 December 2020 amounting to SAR 11.18 million (31 December 2019: SAR 12.47 million) are ultimately due from customers that are insured through brokers and agents.

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

	2020	2019
	SR'000	
Balance at the beginning of the year	**23,290**	16,328
(Release) / provision during the year	**(3,619)**	6,962
Balance at the end of the year	**19,671**	23,290

The ageing of unimpaired premium receivables arising from insurance contracts is as follows:

	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	Total
			SR'000		
31 December 2020	**36,644**	**9,659**	**2,813**	**-**	**49,116**
31 December 2019	21,755	15,520	7,584	-	44,859

Balances up to three months are considered neither past due nor impaired. Balances above three months are past due but not impaired. Unimpaired receivables are expected, on the basis of experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

In respect of premium receivables, ten major customers account for 38.9% of the balance as at 31 December 2020 (31 December 2019: 32.8%).

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8. REINSURER BALANCE RECEIVABLE

Reinsurer receivable comprise amounts due from the following:

	2020	2019
	SAR'000	
Reinsurer receivable	**6,991**	5,995
Provision for doubtful reinsurer receivable	**(6,800)**	(3,000)
Reinsurer receivable – net	**191**	2,995

Movement in the allowance for doubtful reinsurer receivable during the year was as follows:

	2020	2019
	SAR'000	
Balance at the beginning of the year	**3,000**	-
Provision during the year	**3,800**	3,000
Balance at the end of the year	**6,800**	3,000

9. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
- Held as FVSI	**8,047**	12,780
- Held to maturity	**60,329**	60,170
	68,376	72,950

Movement in the Fair Value through Statement of Income (FVSI) investment balance is as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
Opening balance	**12,780**	7,695
Purchases during the year	**-**	4,430
Sold during the year	**(4,919)**	-
Unrealized gain on investments	**186**	655
Closing balance	**8,047**	12,780

	2020	2019
	SR'000	
Saudi Aramco	**-**	4,878
Al Badr Murabaha Fund	**7,275**	7,200
Saudi Fransi GCC IPO Fund	**772**	702
	8,047	12,780

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9. INVESTMENTS – (continued)

Movement in held to maturity investment balance is as follows:

	Shareholders' operations	
	2020	2019
	SAR'000	
Opening balance	**60,170**	5,000
Placement during the year	**-**	60,023
Matured during the year	**-**	(5,000)
Amortization of held to maturity investments, net	**159**	147
Closing balance	**60,329**	60,170

10. DEFERRED POLICY ACQUISITION COST

Insurance operations	**2020**	2019
	SAR'000	
Balance at the beginning of the year	**2,851**	1,035
Paid during the year	**6,295**	6,267
Amortised during the year	**(5,916)**	(4,451)
Balance at the end of the year	**3,230**	2,851

11. INTANGIBLES ASSETS, NET

	2020	2019
	SR'000	
Insurance Operations		
Cost:		
Balance at the beginning of the year	**22,811**	22,058
Additions during the year	**455**	753
Balance at the end of the year	**23,266**	22,811
Amortization:		
Balance at the beginning of the year	**21,705**	20,897
Charge for the year	**479**	808
Balance at the end of the year	**22,184**	21,705
Net book value as at 31 December	**1,082**	1,106

Intangible assets consist mainly of computer software used for the benefit of insurance operations.

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12. PROPERTY AND EQUIPMENT, NET

Insurance Operations	*Leasehold improvements*	*Computer equipment*	*Motor vehicles*	*Furniture fittings and office equipment*	*Total*
			SR'000		
Cost:					
At 1 January 2019	4,692	9,957	449	2,632	17,730
Additions during the year	-	905	-	-	905
At 31 December 2019	4,692	10,862	449	2,632	18,635
Additions during the year	-	811	-	-	811
At 31 December 2020	**4,692**	**11,673**	**449**	**2,632**	**19,446**
Accumulated depreciation:					
At 1 January 2019	4,343	8,917	231	1,793	15,284
Charge for the year	177	503	66	213	959
At 31 December 2019	4,520	9,420	297	2,006	16,243
Charge for the year	167	575	71	217	1,030
At 31 December 2020	**4,687**	**9,995**	**368**	**2,223**	**17,273**
Net book value as at 31 December 2020	**5**	**1,678**	**81**	**409**	**2,173**
Net book value as at 31 December 2019	172	1,442	152	626	2,392

13. LEASES

13.1 RIGHT-OF-USE ASSET, NET

	2020	2019
Building	**SAR'000**	
Cost:		
At beginning of the year	**-**	-
Additions during the year	**3,784**	-
At end of the year	**3,784**	-
Accumulated depreciation:		
At beginning of the year	**-**	-
Additions during the year	**1,041**	-
At end of the year	**1,041**	-
Net book value	**2,743**	-

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13. LEASES – (continued)

13.2 LEASE LIABILITIES

	2020	*2019*
	SAR'000	
At beginning of the year	**-**	-
Additions during the year	**3,784**	-
Finance cost	**49**	-
Payment made during the year	**(1,615)**	-
At end of the year	**2,218**	-

14. STATUTORY DEPOSIT

As required by the Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid up share capital, in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA, and commission accruing on this deposit is payable to SAMA. On 22 April 2020, the Company has reduced its share capital by SR 150 million and did not withdraw the surplus deposit. However, on 1 October 2020, the Company received SAMA approval to withdraw the surplus deposit and accordingly withdrawn on 23 November 2020. Statutory deposit as at 31 December 2020 amounting to SR 22.5 million (2019: SR 45 million).

15. PREPAID EXPENSES AND OTHER ASSETS

	2020	*2019*
	SR'000	
Insurance Operations		
Prepayments	**2,968**	1,619
Deferred third party administrator (TPA) fee	**899**	-
Advances to suppliers	**473**	2,921
VAT Receivable	**70**	4,023
Others	**1,546**	4,090
	5,956	12,653

Shareholders' Operations	***2020***	*2019*
	SR'000	
Accrued income	**824**	2,322
	824	2,322
Total	**6,780**	14,975

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16. TECHNICAL RESERVES

16.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2020	2019
	SAR'000	
Outstanding claims	**39,307**	21,431
Claims Incurred but not reported	**12,974**	18,493
	52,281	39,924
Premium deficiency reserve	**14,545**	17,335
Other technical reserves	**326**	1,460
	67,152	58,719
Less:		
- Reinsurer share of outstanding claims	**(119)**	(1,034)
- Reinsurer share of claims incurred but not reported	**-**	(94)
	(119)	(1,128)
Net outstanding claims and reserves	**67,033**	57,591

16.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2020		
	Gross	**Reinsurance**	**Net**
	SAR'000		
Balance as at the beginning of the year	**75,920**	**-**	**75,920**
Premium written during the year	**165,874**	**-**	**165,874**
Premium earned during the year	**(174,290)**	**-**	**(174,290)**
Balance as at the end of the year	**67,504**	**-**	**67,504**

	2019		
	Gross	Reinsurance	Net
	SAR'000		
Balance as at the beginning of the year	20,338	-	20,338
Premium written during the year	154,028	-	154,028
Premium earned during the year	(98,446)	-	(98,446)
Balance as at the end of the year	75,920	-	75,920

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17. COMMITMENTS AND CONTINGENCIES

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

	2020	2019
	SAR'000	
Letters of guarantee	**12,545**	12,545
Total	**12,545**	12,545

b. There were no capital commitments outstanding as at 31 December 2020 (31 December 2019: Nil).

c. As at 31 December 2020, the Company has a letter of guarantee amounting to SR 12.545 million (31 December 2019: SR 12.545 million) in favor of General Authority of Zakat and Tax (GAZT) (see note 24), which is secured against the Company Murabaha deposit of SR 14 million (31 December 2019: SR 14 million) with Saudi Arabian British Bank. Subsequent to the year-end, the Company requested to release the bank guarantee and the same is under process as communicated by GAZT.

18. ACCRUED AND OTHER LIABILITIES

	2020	*2019*
	SR'000	
Payable to medical providers	**15,885**	15,947
Payable to suppliers	**1,513**	924
Inspection and supervision fees	**1,760**	653
Accrued expenses	**16,296**	11,868
Accrued third party administrator (TPA) fee	**239**	-
Other liabilities	**332**	6,840
	36,025	36,232

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19. END OF SERVICE INDEMNITIES

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 recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

19.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2020	2019
	SAR'000	
Present value of defined benefit obligation	**4,970**	5,934
	4,970	5,934

19.2 Movement of defined indemnities obligation

	2020	2019
	SAR'000	
Opening balance	**5,934**	5,808
Current service cost	**1,298**	904
Interest cost	**222**	255
Charge to statement of income	**1,520**	1,159
Charge to statement of other comprehensive income	**(784)**	550
Payment of benefits during the year	**(1,700)**	(1,583)
Closing balance	**4,970**	5,934

19.3 Reconciliation of present value of defined indemnities obligation

	2020	2019
	SAR'000	
Opening balance	**5,934**	5,808
Charge to statement of income	**1,520**	1,159
Actuarial (gain) / loss from experience adjustments	**(784)**	550
Benefits paid during the year	**(1,700)**	(1,583)
Closing balance	**4,970**	5,934

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19. END OF SERVICE INDEMNITIES – (continued)

19.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of defined indemnities obligation liability:

	2020	2019
Valuation discount rate	**3.95%**	4.6%
Expected rate of increase in salary level across different age bands	**3%**	4%

The impact of changes in sensitivities on present value of end of service indemnities obligation is as follows:

Valuation discount rate	**2020**	2019
	SAR'000	
- Increase by 1%	**(544)**	(687)
- Decrease by 1%	**647**	822
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**(647)**	819
- Decrease by 1%	**553**	(696)

The impact of changes in sensitivities on present value of end of service indemnities is as follows:

	2020	2019
Valuation Discount rate		
Increase by 1%	**(4,426)**	(5,248)
Decreased by 1%	**(5,617)**	6,756
Expected rate of increase in salary level across different age bands		
Increase by 1%	**(5,617)**	(6,752)
Decreased by 1%	**(4,417)**	(5,238)
Mortality rate		
Increase by 20%	**(4,969)**	(5,933)
Decreased by 20%	**(4,970)**	(5,935)
Withdrawal Rate		
Increase by 20%	**(4,869)**	(5,750)
Decreased by 20%	**(5,062)**	(6,110)

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20. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES

	2020			2019		
	Gross	**Due from reinsurers**	**Net**	Gross	Due from reinsurers	Net
		SR '000			SR '000	
Outstanding claims	**21,431**	**(1,034)**	**20,397**	44,408	(5,857)	38,551
Claims Incurred but not reported	**18,493**	**(94)**	**18,399**	15,943	(2,103)	13,840
Premium deficiency reserve	**17,335**	**-**	**17,335**	2,441	(610)	1,831
Other technical reserves	**1,460**	**-**	**1,460**	572	-	572
Balance – 1 January	**58,719**	**(1,128)**	**57,591**	63,364	(8,570)	54,794
Claim paid	**(139,752)**	**996**	**(138,756)**	(139,694)	6,933	(132,761)
Claims incurred	**152,109**	**13**	**152,122**	119,267	(101)	119,166
Premium deficiency reserve	**(2,790)**	**-**	**(2,790)**	14,894	610	15,504
Other technical reserves	**(1,134)**	**-**	**(1,134)**	888	-	888
Balance – 31 December	**67,152**	**(119)**	**67,033**	58,719	(1,128)	57,591
Outstanding claims	**39,307**	**(119)**	**39,188**	21,431	(1,034)	20,397
Claims Incurred but not reported	**12,974**	**-**	**12,974**	18,493	(94)	18,399
Premium deficiency reserve	**14,545**	**-**	**14,545**	17,335	-	17,335
Other technical reserves	**326**	**-**	**326**	1,460	-	1,460
Total	**67,152**	**(119)**	**67,033**	58,719	(1,128)	57,591

Claims Triangulation Analysis by accident year

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

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20. MOVEMENT IN OUTSTANDING RESERVES AND OTHER TECHNICAL RESERVES– (continued)

Claims Triangulation Analysis by accident year (continued)

2020 Accident year SR '000	2017	2018	2019	2020	Total
Gross estimate of ultimate claims costs:					
At the end of accident year	**131,513**	**257,415**	**93,496**	**154,726**	**154,726**
One year later	**177,450**	**282,091**	**93,993**	**-**	**93,993**
Two years later	**178,482**	**278,974**	**-**	**-**	**278,974**
Three years later	**179,465**	**-**	**-**	**-**	**179,465**
Current estimate of cumulative claims	**179,465**	**278,974**	**93,993**	**154,726**	**707,158**
Cumulative payments to date	**(179,465)**	**(276,886)**	**(91,949)**	**(106,577)**	**(654,877)**
Liability recognised in statement of financial position	**-**	**2,088**	**2,044**	**48,149**	**52,281**

2020 Accident year SR '000	2017	2018	2019	2020	Total
Net estimate of ultimate claims costs:					
At the end of accident year	**117,396**	**233,159**	**91,859**	**154,720**	**154,720**
One year later	**150,598**	**259,122**	**92,190**	**-**	**92,190**
Two years later	**151,563**	**256,392**	**-**	**-**	**256,392**
Three years later	**152,242**	**-**	**-**	**-**	**152,242**
Current estimate of cumulative claims	**152,242**	**256,392**	**92,190**	**154,720**	**655,544**
Cumulative payments to date	**(152,242)**	**(254,408)**	**(90,161)**	**(106,572)**	**(603,382)**
Liability recognised in statement of financial position	**-**	**1,984**	**2,029**	**48,148**	**52,162**

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21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

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

Shareholders' Operations		**Fair value**			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SAR'000		
31 December 2020					
Financial assets measured at fair value					
- Investments held as FVSI	8,047	772	7,275	-	8,047
	8,047	**772**	**7,275**	**-**	**8,047**
Financial assets not measured at fair value					
- Held to maturity investments	60,329	-	60,873	-	60,873
- Murabaha deposits	40,068	-	-	40,068	40,068
	100,397	**-**	**60,873**	**40,068**	**100,941**

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21. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

Shareholders' Operations		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
			SAR'000		
31 December 2019					
Financial assets measured at fair value					
- Investments held as FVSI	12,780	5,580	7,200	-	12,780
	12,780	5,580	7,200	-	12,780
Financial assets not measured at fair value					
- Held to maturity investments	60,170	-	60,714	-	60,714
- Murabaha deposits	76,036	-	-	77,742	77,742
	136,206	-	60,714	77,742	138,456

All of the investment and murabaha deposits are held within Kingdom of Saudi Arabia and GCC.

22. OPERATING SEGMENTS

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

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23. TRANSACTIONS WITH RELATED PARTIES

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

	Nature of transactions	Transactions for year ended		Balance receivable / (payable) as at	
		31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
		SAR'000			
Entities controlled, jointly controlled or significantly influenced by related parties					
Related parties of Juffali Group – (affiliates)	Insurance premium written	**2,922**	2,209	**1,647**	1,231
	Claims paid	**1,554**	7,497	**-**	-
	Purchase of computer equipment, licenses, vehicles and other services	**519**	421	**-**	-
	Commission paid	**58**	132	**(90)**	-
Related parties of Dr. Soliman Fakeeh Group– (affiliates)	Insurance premium written	**21,226**	20,725	**8,038**	9,517
	Claims paid	**18,006**	4,353	**(1,479)**	(5,430)
Related parties of International Medical Center	Insurance premium written	**33,027**	-	**15,796**	-
	Claims paid	**22,173**	2,204	**(5,923)**	(1,381)

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23. TRANSACTIONS WITH RELATED PARTIES (continued)

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

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the year ended 31 December 2020 and 2019:

	2020	2019
Top management executives	**SAR'000**	
Salaries and other allowances	**3,777**	3,346
End of service indemnities	**140**	125
	3,917	3,471

	2020	2019
Board and committees	**SAR'000**	
Board and committees remuneration and fees	**1,380**	1,392
	1,380	1,392

24. ZAKAT AND INCOME TAX

a. Charge for the year

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

Movements in provision during the year	**2020**	2019
	SAR'000	
Balance at the beginning of the year	**15,498**	10,698
Release of zakat provision for prior years	**(5,298)**	-
Zakat provision for the current year	**1,800**	4,800
Balance at the end of the year	**12,000**	15,498

As the Company has incurred a loss during the year ended 31 December 2020, and in previous years, no provision has been established in respect of income tax in these financial statements.

24. ZAKAT AND INCOME TAX (continued)

b. Status of zakat assessments

The Company has filed its Zakat and tax returns until years ended 31 December 2019 and obtained zakat certificates.

The GAZT issued final assessment for the years 2011 to 2014 with an additional Zakat liability of SR 12.545 million. During 2017, the Company filed an appeal to the Tax Violations and Disputes Appellate Committee ("TVDAC") [formerly known as Appellate Committee for Zakat and Tax Appeal ("ACZTA")] against the Tax Violations and Disputes Resolution Committee ("TVDRC") [formerly known as Preliminary Objection Committee's ("POC")] decision for the years 2011 through 2014 and lodged a bank guarantee of SR 12.545 million, with respect to additional zakat liability.

During the year, TVDAC issued its decision on the above years accepting certain points and as such the zakat liability reduced to SR 2.1 million. The GAZT is in process of issuing a revised assessment based on TVDAC's decision and release the bank guarantee lodged against the liabilities under dispute.

During the year, the GAZT has also raised final assessments for the years 2015 through 2018 with additional zakat of SR 9.59 million. The Company has submitted an appeal against the GAZT's assessment and GAZT's review is awaited.

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

25. SHARE CAPITAL

As at 31 December 2019, the authorized, subscribed and paid up share capital of the Company was SR 300 million, divided into 30 million shares of SR 10 each.

On 18 January 2020, the Board of Directors had recommended reducing the Company's share capital from SR 300 million to SR 150 million divided into 15 million shares by off-setting with accumulated losses. In an extra-ordinary general meeting (second meeting) held on 29 Sha'ban 1441H corresponding to 22 April 2020, the shareholders' of the Company approved the reduction and the required changes in the Company by-laws relating to this reduction. Accordingly, the share capital and accumulated losses have been reduced by SR 150 million. The capital reduction is through reduction of 1 share for every 2 shares held by the shareholder. The purpose of capital reduction is to restructure the capital position of the Company in order to meet the compliance with the Companies Law. There was no impact of capital reduction on the Company's financial obligations.

On 12 December 2018, the shareholders in extra ordinary general meeting approved the increase of Share Capital by SR 200 million through right issue by offering 2 shares for every 1 share held by the shareholder. The right share procedures had finalized and the capital deposited on 16 January 2019. The Company incurred transaction cost of SR 5.40 million in respect to the increase in share capital, which has charged directly to the Statement of Changes in Equity as at 31 December 2018.

As at 31 December 2020, the authorized, subscribed and paid up share capital of the Company is SR 150 million, divided into 15 million shares of SR 10 each.

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26. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been made as the Company made losses during the year.

27. CAPITAL MANAGEMENT

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

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

The Company's management, through various scenario analysis as required by the regulator, has assessed the potential of the Covid-19 pandemic by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratio and solvency ratio. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgements and uncertainties and, therefore, the actual outcomes may be different to those projected. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

28. SUBSEQUENT EVENT

In the opinion of the Management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Financial Statements.

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29. LOSS PER SHARE

Loss per share for the period has been calculated by dividing the net (loss) for the year by the weighted average number of issued and outstanding shares for the year.

A) The weighted average number of shares have been adjusted retrospectively for prior period to reflect the bonus element of right share issue as required by IAS 33 "Earnings per share" as follows:

	2020	2019
	SAR'000	
Issued ordinary shares as at 1 January	**30,000**	10,000
Effect of right share issue	**-**	19,411
Effect of reduction in share capital	**(15,000)**	(15,000)
Balance at the end of the year	**15,000**	14,411

During 2019, the weighted average number of ordinary shares for prior period is computed using an adjustment factor of 1.57 which is a ratio of the theoretical ex-rights price of SR 13.96 per ordinary share and the closing price of SR 21.88 per ordinary share on the last day on which the shares were traded before the right issue.

B) The basic and diluted loss per share is calculated as follows:

	2020	2019 (restated)
	SAR'000	
Net loss for the year	**(28,413)**	(106,152)
Weighted average number of ordinary shares	**15,000**	14,411
Basic and diluted loss per share (SR) – Restated	**(1.89)**	(7.37)

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30. GENERAL AND ADMINISTRATIVE EXPENSES

Insurance Operations	***2020***	*2019*
	SAR'000	
Employee costs	**35,213**	35,312
Depreciation (note 12)	**1,030**	959
Amortization (note 11)	**479**	808
Amortization on right of use assets (note 13.1)	**1,041**	-
Rent expenses	**2,764**	4,645
Legal and professional fees	**3,336**	2,206
Repair and maintenance costs	**2,736**	2,925
Marketing expenses	**166**	95
Other expenses	**5,430**	3,254
	52,195	50,204

Shareholders Operations	***2020***	*2019*
	SAR'000	
Legal and professional fees	**1,525**	463
Investment related expenses	**330**	328
Subscriptions	**338**	1,083
Committee fees	**1,380**	1,392
Others	**49**	412
	3,622	3,678
Total	**55,817**	53,882

31. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's growth and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through its strategic planning process.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

31. RISK MANAGEMENT– (continued)

Audit committee
The Audit Committee is appointed by the Board of Directors. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim. The Company only issues short term contracts not exceeding one year in connection with medical risks.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. The Company has limited its risk by imposing maximum claim amounts on contracts. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks
Since the Company operates in Saudi Arabia, hence, all the insurance risks relate to policies written in Saudi Arabia.
Independent actuarial review of claims and claims reserves
In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.
Key assumptions
The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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31. RISK MANAGEMENT– (continued)

Key assumptions – (continued)

Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from providers and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 3.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson, Cape Cod and expected loss ratio methods.

Sensitivities
The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net loss for the year.

	Change in assumptions	Impact on net loss for the year *SR' 000*
Ultimate loss ratio – Insurance Operations		
Year ended 31 December 2020	± 5%	± 8,714
Year ended 31 December 2019	± 5%	± 4,922

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31. RISK MANAGEMENT– (continued)

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from a high volume of claims or large claims, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Furthermore, to minimise its exposure to significant losses from reinsurers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurers. The Company had an Excess of Loss arrangement (XOL) with an international reinsurance company with Standard and Poors rating of "AA-".

This reinsurance arrangement covers all individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The credit risk exposure in respect of reinsurer's share of outstanding claims, incurred but not reported claims and premium deficiency reserves is SR 119 thousand (31 December 2019: SR 1,128 thousand).

Regulatory framework risk
The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Capital management (solvency) risk
Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' values.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities.

The following information summarizes the minimum regulatory capital of the Company:

	2020	2019
	SR'000	SR'000
Minimum regulatory capital	**100,000**	100,000

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31. RISK MANAGEMENT– (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Risk Committee. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect shares and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Market price risk
Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Shareholders' Operations are exposed to market risk with respect to their FVIS investments. A 5% change in the fair value of FVIS investments, with all other variables held constant, would impact the Shareholders' Operations by SR 402 thousands (2019: SR 639 thousands).

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and held to the maturity investments.

The Company places Murabaha deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management manages commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Held to maturity investments are managed by the discretionary portfolio manager.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

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31. RISK MANAGEMENT– (continued)

Shareholder's Operations

	Less than 3 months	*3 months to 1 year*	*Above 1 year*	*Total*
2020		*SR '000*		
Murabaha deposits	**101,506**	**40,068**	**-**	**141,574**
Investments held to maturity	**-**	**-**	**60,329**	**60,329**
	101,506	**40,068**	**60,329**	**201,903**
2019				
Murabaha deposits	62,767	76,036	-	138,803
Investments held to maturity	-	-	60,170	60,170
	62,767	76,036	60,170	198,973

The insurance operations did not have any commission bearing assets as at 31 December 2020 and 2019. The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2020	*2019*
Shareholder's Operations		
Saudi Arabian Riyal denominated Murabaha deposits	**1.64%**	2.91%
Investments held to maturity	**3.84%**	3.62%

The Company had no deposits in currencies other than Saudi Arabian Riyals. Further, held to maturity investments include both local and foreign currency bonds.

The following information demonstrates the sensitivity statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

Market risk (continued)

	2020	*2019*
Shareholder's Operations	***SR'000***	
Increase in commission rates by 100 basis points	**2,019**	1,990
Decrease in commission rates by 100 basis points	**(2,019)**	(1,990)

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31. RISK MANAGEMENT– (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Arabian Riyals and in United States Dollars. The Saudi Arabian Riyals is pegged to the US Dollar.

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 Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts.

For all classes of financial instruments held by the Company, the maximum credit risk exposure is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure is primarily concentrated in Saudi Arabia. The Company maintains the exposures within limits. These limits have been set on the basis of the types of exposures and the credit rating or financial standing of the counterparty. The Company seeks to manage its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy parties (rated A or above).

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2020	2019
	SR'000	
Insurance Operations		
Cash at banks (note 5)	**13,641**	14,590
Premium receivable, net (note 7)	**49,116**	44,859
Reinsurers' receivable	**191**	2,995
Reinsurer's share of outstanding claims	**119**	1,034
Reinsurer's share of IBNR	**-**	94
Amount due from shareholders' operations	**99,230**	93,217
Other receivables	**185**	185
	162,482	156,974

	2020	2019
	SR'000	
Shareholders' Operations		
Cash and cash equivalents (note 5)	**101,585**	62,785
Murabaha deposits (note 6)	**40,068**	76,036
Investments held to maturity	**60,329**	60,170
Statutory deposit	**22,500**	45,000
Other receivables	**5,201**	5,814
	229,683	249,805

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31. RISK MANAGEMENT– (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
		SR' 000		
Cash and cash equivalents	**13,641**	-	-	**13,641**
Premiums receivable, net	-	**36,644**	**12,472**	**49,116**
Reinsurer receivable	-	**191**	-	**191**
Reinsurance share of outstanding claims	-	**119**	-	**119**
Reinsurance share of incurred but not reported claims	-	-	-	-
Amount due from shareholders' operations	-	**99,230**	-	**99,230**
Other receivables	-	**185**	-	**185**
As at 31 December 2020	**13,641**	**136,369**	**12,472**	**162,482**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
		SR' 000		
Cash and cash equivalents	14,590	-	-	14,590
Premiums receivable, net	-	21,755	23,104	44,859
Reinsurer receivable	-	2,995	-	2,995
Reinsurance share of outstanding claims	-	1,034	-	1,034
Reinsurance share of incurred but not reported claims	-	94	-	94
Amount due from shareholders' operations	-	93,217	-	93,217
Other receivables	-	185	-	185
As at 31 December 2019	14,590	119,280	23,104	156,974

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31. RISK MANAGEMENT– (continued)

Shareholders' operations' financial assets

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
			SR' 000	
Cash and cash equivalents	**101,585**	**-**	**-**	**101,585**
Investments	**60,329**	**-**	**-**	**60,329**
Other receivables	**-**	**5,201**	**-**	**5,201**
Statutory deposit	**22,500**	**-**	**-**	**22,500**
As at 31 December 2020	**184,414**	**5,201**	**-**	**189,615**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
			SR' 000	
Cash and cash equivalents	62,785	-	-	62,785
Investments	60,170	-	-	60,170
Other receivables	-	5,814	-	5,814
Statutory deposit	45,000	-	-	45,000
As at 31 December 2019	167,955	5,814	-	173,769

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for property and equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to insurance operations, amount due to related parties and certain other liabilities. All financial liabilities are non-commission bearing and are expected to be settled within 12 months from the date of statement of financial position, except end of service indemnities, which are non-current in nature.

Maturity profiles
Unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

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31. RISK MANAGEMENT– (continued)

	2020			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims , IBNR, PDR and other technical reserves	**67,152**	**-**	**-**	**67,152**
Reinsurance balances payable	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**34,629**	**-**	**4,970**	**39,599**
	101,781	**-**	**4,970**	**106,751**
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	**5,773**	**-**	**-**	**5,773**
TOTAL FINANCIAL LIABILITIES	**107,554**	**-**	**4,970**	**112,524**

	2019			
	Up to one year	*More than one year*	*No fixed maturity*	*Total*
	SR' 000			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES				
Outstanding claims and other technical reserves	58,719	-	-	58,719
Reinsurance balances payable	-	-	-	-
Accrued expenses and other liabilities	34,994	-	5,934	40,928
	93,713	-	5,934	99,647
SHAREHOLDERS' FINANCIAL LIABILITIES				
Accrued expenses and other liabilities	4,730	-	-	4,730
TOTAL FINANCIAL LIABILITIES	98,443	-	5,934	104,377

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows 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 Company.

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31. RISK MANAGEMENT– (continued)

Operational Risk

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

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

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

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32. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2020			31 December 2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
ASSETS						
Cash and cash equivalents	13,641	101,585	**115,226**	14,590	62,785	77,375
Short term murabaha deposits	-	40,068	**40,068**	-	76,036	76,036
Premiums receivable, net	49,116	-	**49,116**	44,859	-	44,859
Reinsurer balances receivable	191	-	**191**	2,995	-	2,995
Reinsurers' share of outstanding claims	119	-	**119**	1,034	-	1,034
Reinsurers' share of claims incurred but not reported	-	-	**-**	94	-	94
Deferred policy acquisition costs	3,230	-	**3,230**	2,851	-	2,851
Investments	-	68,376	**68,376**	-	72,950	72,950
Due from shareholders' operations	99,230	-	**99,230**	93,217	-	93,217
Prepaid expenses and other assets	5,956	824	**6,780**	12,653	2,322	14,975
Property and equipment	2,173	-	**2,173**	2,392	-	2,392
Intangible assets	1,082	-	**1,082**	1,106	-	1,106
Right of use assets, net	2,743	-	**2,743**	-	-	-
Statutory deposit	-	22,500	**22,500**	-	45,000	45,000
Accrued income on statutory deposit	-	4,377	**4,377**	-	3,492	3,492
	177,481	237,730	**415,211**	175,791	262,585	438,376
Less: Inter-operations eliminations	(99,230)	-	**(99,230)**	(93,217)	-	(93,217)
TOTAL ASSETS	78,251	237,730	**315,981**	82,574	262,585	345,159

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

a) Statement of financial position – (continued)

	31 December 2020			31 December 2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
LIABILITIES						
Accrued and other liabilities	34,629	1,396	**36,025**	34,994	1,238	36,232
Unearned premiums	67,504	-	**67,504**	75,920	-	75,920
Outstanding claims	39,307	-	**39,307**	21,431	-	21,431
Claims incurred but not reported	12,974	-	**12,974**	18,493	-	18,493
Premium deficiency reserve	14,545	-	**14,545**	17,335	-	17,335
Other technical reserves	326	-	**326**	1,460	-	1,460
Due to insurance operations	-	99,230	**99,230**	-	93,217	93,217
End-of-service indemnities	4,970	-	**4,970**	5,934	-	5,934
Lease liabilities	2,218	-	**2,218**	-	-	-
Zakat and income tax	-	12,000	**12,000**	-	15,498	15,498
Accrued commission income payable to SAMA	-	4,377	**4,377**	-	3,492	3,492
	176,473	117,003	**293,476**	175,567	113,445	289,012
Less: Inter-operations eliminations	-	(99,230)	**(99,230)**	-	(93,217)	(93,217)
TOTAL LIABILITIES	176,473	17,773	**194,246**	175,567	20,228	195,795
SHAREHOLDERS' EQUITY						
Share capital	-	150,000	**150,000**	-	300,000	300,000
Accumulated losses	-	(29,273)	**(29,273)**	-	(150,860)	(150,860)
TOTAL SHAREHOLDERS' EQUITY	-	120,727	**120,727**	-	149,140	149,140
Re-measurement reserve of defined indemnities obligation	1,008	-	**1,008**	224	-	224
	1,008	-	**1,008**	224	-	224
TOTAL LIABILITIES ' AND EQUITY	177,481	138,500	**315,981**	175,791	169,368	345,159
COMMITMENTS AND CONTINGENCIES	-	12,545	**12,545**	-	12,545	12,545

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

b) Statement of income

For the year ended 31 December	**2020**			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
REVENUES						
Gross premiums written:						
- Individual	5,742	-	**5,742**	1,423	-	1,423
- Micro enterprises	13,778	-	**13,778**	2,381	-	2,381
- Small enterprises	37,834	-	**37,834**	19,082	-	19,082
- Medium enterprises	39,922	-	**39,922**	47,418	-	47,418
- Large enterprises	68,598	-	**68,598**	83,724	-	83,724
Total gross premiums written	165,874	-	**165,874**	154,028	-	154,028
Excess of loss expenses – foreign	-	-	**-**	-	-	-
Net premiums written	165,874	-	**165,874**	154,028	-	154,028
Changes in unearned premiums	8,416	-	**8,416**	(55,582)	-	(55,582)
Net premiums earned	174,290	-	**174,290**	98,446	-	98,446
TOTAL REVENUES	174,290	-	**174,290**	98,446	-	98,446
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	139,752	-	**139,752**	139,694	-	139,694
Reinsurers' share of claims paid	(996)	-	**(996)**	(6,933)	-	(6,933)
Net claims paid	138,756	-	**138,756**	132,761	-	132,761
Changes in outstanding claims, net	18,791	-	**18,791**	(18,154)	-	(18,154)
Changes in claims incurred but not reported, net	(5,425)	-	**(5,425)**	4,559	-	4,559
Net claims incurred	152,122	-	**152,122**	119,166	-	119,166
Premium deficiency reserve	(2,790)	-	**(2,790)**	15,504	-	15,504
Other technical reserves	(1,134)	-	**(1,134)**	888	-	888
Policy acquisition costs	5,916	-	**5,916**	4,451	-	4,451
Other underwriting expenses	3,315	-	**3,315**	3,413	-	3,413
TOTAL UNDERWRITING COSTS AND EXPENSES	157,429	-	**157,429**	143,422	-	143,422
NET UNDERWRITING RESULT	16,861	-	**16,861**	(44,976)	-	(44,976)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

***b) Statement of income* (continued)**

For the year ended 31 December	**2020**			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for doubtful debts	(181)	-	**(181)**	(9,962)	-	(9,962)
General and administrative expenses	(52,195)	(3,622)	**(55,817)**	(50,204)	(3,678)	(53,882)
Commission income on deposits	-	4,399	**4,399**	-	6,666	6,666
Unrealized gain on investments	-	186	**186**	-	655	655
Realized gain on investments	-	117	**117**	-	-	-
Dividend income	-	108	**108**	-	-	-
Amortization of discount, net	-	159	**159**	-	147	147
Other income	2,257	-	**2,257**	-	-	-
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(50,119)	1,347	**(48,772)**	(60,166)	3,790	(56,376)
NET LOSS FOR THE YEAR	(33,258)	1,347	**(31,911)**	(105,142)	3,790	(101,352)
Net Income attributed to the insurance operations	-	-	**-**	-	-	-
Net loss for the year attributed to shareholders' operations	(33,258)	1,347	**(31,911)**	(105,142)	3,790	(101,352)
Release of zakat provision for prior periods	-	5,298	**5,298**	-	-	-
Zakat provision for the year	-	(1,800)	**(1,800)**	-	(4,800)	(4,800)
Net loss for the period	(33,258)	4,845	**(28,413)**	(105,142)	(1,010)	(106,152)
Loss per share (SAR per share)						
Weighted average number of ordinary shares outstanding (in thousands)			**15,000**			14,411
Basic and diluted loss per share for the year (SR) – restated – 2019			**(1.89)**			(7.37)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

c) statement of comprehensive income

For the year ended 31 December	**2020**			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SAR '000			
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**-**	**(28,413)**	**(28,413)**	-	(106,152)	(106,152)
Actuarial gain / (loss) on define indemnities obligation	**784**	**-**	**784**	(550)	-	(550)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**784**	**(28,413)**	**(27,629)**	(550)	(106,152)	(106,702)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

d) Statement of cash flows

	2020			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) for the year	-	(31,911)	**(31,911)**	-	(101,352)	(101,352)
Adjustments for non-cash items:						
Depreciation of property and equipment	1,030	-	**1,030**	959	-	959
Depreciation of right of use assets	1,041	-	**1,041**	-	-	-
Finance cost on lease liabilities	49	-	**49**	-	-	-
Amortization of intangible assets	479	-	**479**	808	-	808
Allowance for doubtful debts	181	-	**181**	9,962	-	9962
Unrealized gain on investments	-	(186)	**(186)**	-	(655)	(655)
Realized gain on investments	-	(117)	**(117)**	-	-	-
Amortization of discount, net	-	(159)	**(159)**	-	(147)	(147)
Provision for end-of-service indemnities	1,520	-	**1,520**	1,159	-	1,159
	4,300	(32,373)	**(28,073)**	12,888	(102,154)	(89,266)
Changes in operating assets and liabilities:						
Premiums receivable	(638)	-	**(638)**	(34,392)	-	(34,392)
Reinsurers' balance receivable	(996)	-	**(996)**	(5,995)	-	(5,995)
Reinsurers' share of outstanding claims	915	-	**915**	4,823	-	4,823
Reinsurers' share of IBNR	94	-	**94**	2,009	-	2,009
Reinsurers' share of PDR	-	-	**-**	610	-	610
Deferred policy acquisition costs	(379)	-	**(379)**	(1,816)	-	(1,816)
Prepaid expenses and other assets	6,697	1,498	**8,195**	1,609	(1,203)	406
Accrued and other liabilities	(365)	158	**(207)**	(31,468)	(3,407)	(34,875)
Reinsurers' balances payable	-	-	**-**	(939)	-	(939)
Unearned premiums	(8,416)	-	**(8,416)**	55,582	-	55,582
Outstanding claims	17,876	-	**17,876**	(22,977)	-	(22,977)
Claims incurred but not reported	(5,519)	-	**(5,519)**	2,550	-	2,550
Premium deficiency reserve	(2,790)	-	**(2,790)**	14,894	-	14,894
Other technical reserves	(1,134)	-	**(1,134)**	888	-	888
Due to Insurance Operations	-	6,013	**6,013**	-	(3,081)	(3,081)
Due from Shareholders' Operations	(6,013)	-	**(6,013)**	3,081	-	3,081
Cash used in operating activities	3,632	(24,704)	**(21,072)**	1,347	(109,845)	(108,498)
End-of-service indemnities paid	(1,700)	-	**(1,700)**	(1,583)	-	(1,583)
Zakat paid	-	-	**-**	-	-	-
Net cash flows used in operating activities	1,932	(24,704)	**(22,772)**	(236)	(109,845)	(110,081)

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32. SUPPLEMENTARY INFORMATION (continued)

d) Statement of cash flows Statement – (continued)

	2020			2019		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
			SR '000			
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	**-**	-	(64,453)	(64,453)
Proceeds from sale of investments	-	5,036	**5,036**	-	5,000	5,000
Proceeds from maturing of short term murabaha deposits	-	35,968	**35,968**	-	6,846	6,846
Decrease / (increase) in Statutory deposit	-	22,500	**22,500**	-	(15,000)	(15,000)
Purchase of property and equipment	(811)	-	**(811)**	(905)	-	(905)
Purchase of intangible assets	(455)	-	**(455)**	(753)	-	(753)
Net cash flows from / (used in) investing activities	**(1,266)**	**63,504**	**62,238**	(1,658)	(67,607)	(69,265)
CASH FLOWS FROM FINANCING ACTIVITIES						
Right shares issued	-	-	**-**	-	200,000	200,000
Payment of lease liabilities	(1,615)	-	**(1,615)**	-	-	-
Net cash flows (used in) / from financing activities	**(1,615)**	**-**	**(1,615)**	-	200,000	200,000
Net change in cash and cash equivalents	**(949)**	38,800	**37,851**	(1,894)	22,548	20,654
Cash and cash equivalents, beginning of the year	**14,590**	62,785	**77,375**	16,484	40,237	56,721
Cash and cash equivalents, end of the year	**13,641**	**101,585**	**115,226**	14,590	62,785	77,375

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS – (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

33. COMPARITIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation.

34. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts “due to / from” shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 32 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 32 (b)).

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 21 Rajab 1442H, corresponding to 5 March 2021.

11.2 Annex (2): Audited hypothetical financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

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AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 DECEMBER 2020

	SR'000 (note 3)
ASSETS	
Cash and cash equivalents	249,209
Short-term deposits	80,068
Premiums and reinsurers' receivable, net	178,514
Reinsurer's share of unearned premiums	2,056
Reinsurer's share of outstanding claims	11,882
Reinsurer's share of claims incurred but not reported	2,701
Deferred policy acquisition costs	14,240
Investments	130,293
Prepaid expenses and other assets	28,291
Goodwill	965,875
Property and equipment	8,149
Right-of-use assets	2,743
Intangible assets	1,982
Statutory deposits	58,500
Accrued income on statutory deposit	7,253
TOTAL ASSETS	1,741,756
LIABILITIES	
Accrued expenses and other liabilities	109,106
Reinsurers' balances payable	22,550
Unearned premiums	208,604
Unearned reinsurance commission	456
Outstanding claims	74,968
Claims incurred but not reported	71,122
Premium deficiency reserve	30,257
Other technical reserves	5,121
Lease liabilities	2,218
Policyholders claims payable	1,284
Employee benefit obligations	9,516
Zakat and income tax	18,673
Surplus distribution payable	779
Accrued commission income payable to SAMA	7,253
TOTAL LIABILITIES	561,907

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)
AS AT 31 DECEMBER 2020

	SR'000 (note 3)
EQUITY	
Share capital	288,580
Share premium	929,030
Accumulated losses	(37,503)
Remeasurement reserve of employee benefit obligations	(1,743)
Fair value reserve on investments	1,485
TOTAL EQUITY	1,179,849
TOTAL LIABILITIES AND EQUITY	1,741,756

The accompanying notes form an integral part of these pro forma financial information.

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA STATEMENT OF INCOME (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	SR'000 (note 3)
REVENUE	
Gross premiums written	495,393
Reinsurers Premiums ceded	(5,361)
Excess of loss premiums	(44,637)
Net premiums written	445,395
Changes in unearned premiums	(31,773)
Changes in reinsurers' share of unearned premiums	(2,810)
Net premiums earned	410,812
Reinsurance commissions	1,992
Other underwriting income	10,786
Total revenue	423,590
UNDERWRITING COSTS AND EXPENSES	
Gross claims paid	(360,262)
Reinsurers' share of gross claims paid	28,732
Net claims and other benefits paid	(331,530)
Changes in outstanding claims	(2,978)
Changes in reinsurers' share of outstanding claims	(3,878)
Changes in claims incurred but not reported	(24,367)
Changes in reinsurers' share of claims incurred but not reported	(1,048)
Net claims incurred	(363,801)
Policy acquisition costs	(30,757)
Premiums deficiency reserve	2,498
Other technical reserves	7,279
Other underwriting expenses	(19,529)
Total underwriting costs and expenses, net	(404,310)
NET UNDERWRITING INCOME	19,280

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA STATEMENT OF INCOME (UNAUDITED) (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	SR'000 *(note 3)*
OTHER OPERATING (EXPENSES) INCOME	
Provision for doubtful debts	(23,361)
General and administrative expenses	(101,625)
Investment and commission income	10,827
Realised gain from sale of available-for-sale investment	2,223
Unrealized gain on investments	186
Dividend income	108
Amortization of discount. net	159
Other income	3,019
Total other operating expenses, net	(108,464)
Total loss for the year before surplus attribution, zakat and income tax	(89,184)
Surplus attributed to the insuranse operations	-
Total loss for the year before zakat and income tax	(89,184)
Zakat	(1,066)
Total loss for the year attributable to the shareholders	(90,250)
Weighted average number of outstanding shares ('000)	28,858
Loss per share (expressed in Saudi Riyals per share)	
Basic loss per share	(3.13)
Diluted loss per share	(3.13)

The accompanying notes form an integral part of these pro forma financial information.

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
PRO FORMA STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Pro forma (unaudited) SR'000
Total loss for the year attributable to the shareholders	(90,250)
Other comprehensive (loss) income:	
Items that may be reclassified to the statement of income in subsequent years	
Net change in fair value of available-for-sale investments	648
Transferred from fair value reserve to income for the year	(2,223)
	(1,575)
Items that will not be reclassified to the statement of income in subsequent years	
Re-measurement loss on employee benefit obligations	784
Total comprehensive loss for the year after zakat and income tax	(91,041)
Items that will not be reclassified to the statement of income in subsequent years	
Re-measurement loss on employee benefit obligations	(1,204)
Total comprehensive loss attributable to the insurance operations	(1,204)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(92,245)
Weighted average number of outstanding shares ('000)	28,858
Total comprehensive loss per share (expressed in Saudi Riyals per share)	
Basic loss per share	(3.20)
Diluted loss per share	(3.20)

The accompanying notes form an integral part of these pro forma financial information.

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

AMANA COOPERATIVE INSURANCE COMPANY

Amana Cooperative Insurance Company (the "Company" or "Amana" or the "Acquirer") is a Saudi joint stock company incorporated in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/35 dated 3 Jumada II 1431 H (corresponding to 17 May 2010), the Acquirer operates under Commercial Registration No. 1010288711 dated 10 Jumada II 1431 H (corresponding to 24 May 2010). The Company's registered head office is at Salah-uddin Al- Ayubi Street P.O. Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The objective of the Company is to engage in providing insurance services in accordance with its By-laws and the applicable regulations in the Kingdom of Saudi Arabia.

On 31 July 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Central Bank ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The Company's By-laws were updated to comply with the new companies' regulations, issued by royal decree no.m/3 on 28/01/1437 H and this is as per the extraordinary general assembly meeting on 23 Ramadan 1438 H, corresponding 18 June 2017.

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

Saudi Enaya Cooperative Insurance Company ("Enaya" or the "Acquiree") is a Saudi Joint Stock Company incorporated in Jeddah, Kingdom of Saudi Arabia by Royal Decree No. 98/Q dated 16 Rabi Awwal 1433 H. (corresponding to 8 February 2012). The Acquiree operates under Commercial Registration no. 4030223528 dated 27 Rabi Awal 1433 H (corresponding to 19 February 2012). The Acquiree's registered head office is at Prince Sultan Street, Al Rawdah District, P.O. Box 3528, Jeddah 23435, Saudi Arabia.

The principal activities of the Acquiriee are to transact in cooperative insurance operations and all related activities in accordance with its By-laws and applicable regulations in the Kingdom of Saudi Arabia. The Company is licensed to underwrite medical insurance only.

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

Potential merger of Amana and Enaya

On 29 Rabi Al-Awwal 1442H corresponding to 15 November 2020, Amana signed a non-binding Memorandum of Understanding ("MOU") with Enaya to evaluate a potential merger between the two companies.

Further to the above mentioned MOU, on 29 April 2021, corresponding to 17 Ramadan 1442H, both parties have signed a binding merger agreement ("Merger Agreement") under which Enaya will be merged into Amana and all the assets and liabilities of Enaya will be transferred to Amana, in accordance with the Companies Law issued by the Ministry of Commerce and the regulations of the Capital Market Authority (“CMA”), including the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations, as well as the Listing Rules issued by the Saudi Stock Exchange Company (“Tadawul”), and the relevant regulations of the Saudi Central Bank (“SAMA”).

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF PRO FORMA FINANCIAL INFORMATION PREPARATION AND PRESENTATION

These pro forma financial information and accompanying notes illustrate the effects on the statement of financial position and the statement of income of the potential merger (the "Merger") between Amana and Enaya as if it had occurred on 1 January 2020.

In 8 December 2020, Amana Announced the Board of Directors' recommendation on their meeting held in 7 December 2020 to call the Extraordinary General Assembly to decrease the Company's share capital from 24 million shares to 13 million shares, i.e. decrease by 45.833 % to restructure the company's capital to write-off part of the accumulated losses for an amount of SR 110,000,000. In 25 January 2021, Amana received the Saudi Central Bank letter No.42039348 approving the proposed reduction in the Company's share capital. As of the date of these proforma financial information, the proposed decrease in share capital is yet to be approved by the Extraordinary General Assembly meeting, scheduled on 23 May 2021. For the purpose of preparing these proforma financial information, the capital of Amana has been adjusted to reflect the above mentioned proposed decrease in share capital.

The pro forma financial information are based on the historical audited financial statements of Amana and Enaya as at 31 December 2020 (together referred to as the "Merged entity") as adjusted to give effect to the Merger transaction and the above mentioned proposed decrease in Amana's share capital.

The Merger is to be effected by a capital issuance of 15,858,024 shares of SR 10 by Amana to the shareholders of Enaya, in a share swap rate of 1.0572016 number of ordinary shares in Amana to 1 ordinary share in Enaya.

The presentation of the pro forma financial information of the Merged entity is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma statement of financial position and statement of income address a hypothetical situation and, therefore, do not represent and may not give a true picture of the financial position and financial performance of the Merged entity. Furthermore, the pro forma financial information is only meaningful in conjunction with the historical financial statements of Amana and Enaya as at and for the financial year ended 31 December 2020. The pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Merger.

The pro forma financial information has been prepared and are presented on the basis of accounting policies of Amana as disclosed in its audited financial statements for the year ended 31 December 2020. The accounting policies used by Amana as described in its audited financial statements for the year ended 31 December 2020 do not materially differ from those used by Enaya.

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS

The pro forma adjustments are based on preliminary estimates and assumptions that are subject to change.

A) To record the issuance of shares of Amana to Enaya shareholders:

For the pro forma financial information purposes, the consideration for the acquisition has been calculated on the basis of a share swap rate of 1.0572016 number of ordinary shares in Amana to 1 ordinary share in Enaya as shown below:

Outstanding number of shares of Enaya	15,000,000
Exchange ratio (note 3D)	1.0572016
Number of shares to be issued by Amana	**15,858,024**

	SR'000
Par value of shares to be issued by Amana to Enaya (SR 10 per share)	**158,580**
Adjusted number of outstanding share capital of Amana (note 2)	**130,000**
Total share capital of Amana post merger	**288,580**

B) To record the share premium on Amana shares to be issued upon the merger:

The purchase consideration has been calculated on the basis of Amana's closing price of SR 68.5841933280411 per share on Saudi Arabia Tadawul on 31 December 2020 as adjusted to reflect the effect of the proposed decrease in share capital of Amana on the share price. The purchase consideration is indicative and will be revised to reflect the market price of the shares of Amana on the date of the Merger.

	SR
Market price of 31 December 2020 (B1)	37.15
Capital reduction factor (B2)	45.833%
Adjusted market price of 31 December 2020 (B1/(1-B2))	68.58

	SR'000
Total consideration (15,858,024 shares @ SR 68.58/share)	1,087,610
Less: par value of shares issued by Amana to Enaya	(158,580)
Share premium	**929,030**

C) To record goodwill being the excess of total consideration over the net assets of Enaya as at 31 December 2020.

	SR'000
Total consideration in exchange for equity of Enaya (C1)	1,087,610
Total net assets of Enaya as at 31 December 2020 (C2)	(121,735)
Goodwill (*C1-C2*)	**965,875**

D) Swap rate as per merger agreement:

As per the MOU, the Acquirer proposed swap rate has been calculated based on the net book value of equities attributable the shareholders of both the Acquirer and the Acquiree as at 30 September 2020 after reflecting the adjustments resulting upon the due diligence on both entities and the subsequent decrease in share capital on the Acquirer's shares (note 2)

	Amana	***Enaya***
Total equity attributable to the shareholders as at 30 September 2020 (SR '000 unaudited)	133,654	125,441
Mutually agreed due diligence adjustments	(33,362)	(3,100)
Total adjusted equity attributable to the shareholders (SR '000 unaudited) (D1)	100,292	122,341
Number of shares outstanding ('000) (*D2*)	13,000	15,000
Adjusted book value per share (SR) (*D1/D2*)	7.71	8.16
Swap rate (number of ordinary share in Amana to 1 ordinary share in Enaya)		**1.0572016**

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
AS AT 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS (continued)

E) PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	***Amana (Acquirer) (Historical audited)***	***Enaya (Acquiree) (Historical audited)***	***Pro forma adjustments***	***Pro forma (unaudited)***
		SR'000	***SR'000***	***SR'000***	***SR'000***
ASSETS					
Cash and cash equivalents		133,983	115,226	-	249,209
Short-term deposits		40,000	40,068	-	80,068
Premiums and reinsurers' receivable, net		129,207	49,307	-	178,514
Reinsurer's share of unearned premiums		2,056	-	-	2,056
Reinsurer's share of outstanding claims		11,763	119	-	11,882
Reinsurer's share of claims incurred but not reported		2,701	-	-	2,701
Deferred policy acquisition costs		11,010	3,230	-	14,240
Investments		61,917	68,376	-	130,293
Prepaid expenses and other assets		21,511	6,780	-	28,291
Goodwill	3C	-	-	965,875	965,875
Property and equipment		5,976	2,173	-	8,149
Right-of-use assets		-	2,743	-	2,743
Intangible assets		900	1,082	-	1,982
Statutory deposits		36,000	22,500	-	58,500
Accrued income on statutory deposit		2,876	4,377	-	7,253
TOTAL ASSETS		459,900	315,981	965,875	1,741,756
LIABILITIES					
Accrued expenses and other liabilities		73,081	36,025	-	109,106
Reinsurers' balances payable		22,550	-	-	22,550
Unearned premiums		141,100	67,504	-	208,604
Unearned reinsurance commission		456	-	-	456
Outstanding claims		35,661	39,307	-	74,968
Claims incurred but not reported		58,148	12,974	-	71,122
Premium deficiency reserve		15,712	14,545	-	30,257
Other technical reserves		4,795	326	-	5,121
Lease liabilities		-	2,218	-	2,218
Policyholders claims payable		1,284	-	-	1,284
Employee benefit obligations		4,546	4,970	-	9,516
Zakat and income tax		6,673	12,000	-	18,673
Surplus distribution payable		779	-	-	779
Accrued commission income payable to SAMA		2,876	4,377	-	7,253
TOTAL LIABILITIES		367,661	194,246	-	561,907

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
AS AT 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS (continued)

E) PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

	Note	*Amana (Acquirer) (Historical audited)*	*Enaya (Acquiree) (Historical audited)*	*Pro forma adjustments*	*Pro forma (unaudited)*
		SR'000	***SR'000***	***SR'000***	***SR'000***
EQUITY					
Share capital	3A	240,000	150,000	(101,420)	288,580
Share premium	3B	-	-	929,030	929,030
Accumulated losses		(147,503)	(29,273)	139,273	(37,503)
Remeasurement reserve of employee benefit obligations		(1,743)	1,008	(1,008)	(1,743)
Fair value reserve on investments		1,485	-	-	1,485
TOTAL EQUITY		92,239	121,735	965,875	1,179,849
TOTAL LIABILITY AND EQUITY		459,900	315,981	965,875	1,741,756

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS (continued)

F) PRO FORMA STATEMENT OF INCOME (UNAUDITED)

	Amana (Acquirer) (Historical audited)	*Enaya (Acquiree) (Historical audited)*	*Pro forma adjustments*	*Pro forma (unaudited)*
	SR'000	***SR'000***	***SR'000***	***SR'000***
REVENUE				
Gross premiums written	329,519	165,874	-	495,393
Reinsurers Premiums ceded	(5,361)	-		(5,361)
Excess of loss premiums	(44,637)	-		(44,637)
Net premiums written	279,521	165,874	-	445,395
Changes in unearned premiums	(40,189)	8,416	-	(31,773)
Changes in reinsurers' share of unearned premiums	(2,810)	-	-	(2,810)
Net premiums earned	236,522	174,290	-	410,812
Reinsurance commissions	1,992	-	-	1,992
Other underwriting income	10,786	-	-	10,786
Total revenue	249,300	174,290	-	423,590
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(220,510)	(139,752)	-	(360,262)
Reinsurers' share of gross claims paid	27,736	996	-	28,732
Net claims and other benefits paid	(192,774)	(138,756)	-	(331,530)
Changes in outstanding claims	15,813	(18,791)	-	(2,978)
Changes in reinsurers' share of outstanding claims	(3,878)	-	-	(3,878)
Changes in claims incurred but not reported	(29,792)	5,425	-	(24,367)
Changes in reinsurers' share of claims incurred but not reported	(1,048)	-	-	(1,048)
Net claims incurred	(211,679)	(152,122)	-	(363,801)
Policy acquisition costs	(24,841)	(5,916)	-	(30,757)
Premiums deficiency reserve	(292)	2,790	-	2,498
Other technical reserves	6,145	1,134	-	7,279
Other underwriting expenses	(16,214)	(3,315)	-	(19,529)
Total underwriting costs and expenses, net	(246,881)	(157,429)	-	(404,310)
NET UNDERWRITING INCOME	2,419	16,861	-	19,280

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS (continued)

F) PRO FORMA STATEMENT OF INCOME (UNAUDITED) (continued)

		Amana (Acquirer) (Historical audited)	*Enaya (Acquiree) (Historical audited)*	*Pro forma adjustments*	*Pro forma (unaudited)*
		SR'000	***SR'000***	***SR'000***	***SR'000***
OTHER OPERATING (EXPENSES) INCOME					
Provision for doubtful debts		(23,180)	(181)	-	(23,361)
General and administrative expenses		(45,808)	(55,817)	-	(101,625)
Investment and commission income		6,311	4,516	-	10,827
Realised gain from sale of available-for-sale investment		2,223	-	-	2,223
Unrealized gain on investments		-	186	-	186
Dividend income		-	108	-	108
Amortization of discount. net		-	159	-	159
Other income		762	2,257	-	3,019
Total other operating expenses, net		(59,692)	(48,772)	-	(108,464)
Total loss for the year before surplus zakat and income tax		(57,273)	(31,911)	-	(89,184)
Zakat		(4,564)	3,498	-	(1,066)
Total loss for the year attributable to the shareholders		(61,837)	(28,413)	-	(90,250)
Weighted average number of outstanding shares ('000)	3A	24,000	15,000	(10,142)	28,858
Loss per share (expressed in Saudi Riyals per share)					
Basic loss per share		(2.58)	(1.89)	1.34	(3.13)
Diluted loss per share		(2.58)	(1.89)	1.34	(3.13)

AMANA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE PRO FORMA FINANCIAL INFORMATION (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. PRO FORMA ADJUSTMENTS (continued)

G) PRO FORMA STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Amana (Acquirer) (Historical audited)	*Enaya (Acquiree) (Historical audited)*	*Pro forma adjustments*	*Pro forma (unaudited)*
		SR'000	***SR'000***	***SR'000***	***SR'000***
Total loss for the year attributable to the shareholders		(61,837)	(28,413)	-	(90,250)
Other comprehensive (loss) income:					
Items that may be reclassified to the statement of income in subsequent years					
Net change in fair value of available-for-sale investments		648	-	-	648
Transferred from fair value reserve to income for the year		(2,223)	-	-	(2,223)
		(1,575)	-	-	(1,575)
Items that will not be reclassified to the statement of income in subsequent years					
Re-measurement loss on employee benefit obligations		-	784	-	784
Total comprehensive loss for the year after zakat and income tax		(63,412)	(27,629)	-	(91,041)
Items that will not be reclassified to the statement of income in subsequent years					
Re-measurement loss on employee benefit obligations		(1,204)	-	-	(1,204)
Total comprehensive loss attributable to the insurance operations		(1,204)	-	-	(1,204)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		(64,616)	(27,629)	-	(92,245)
Weighted average number of outstanding shares ('000)	3A	24,000	15,000	(10,142)	28,858
Total comprehensive loss per share (expressed in Saudi Riyals per share)					
Basic loss per share		(2.69)	(1.84)	1.34	(3.20)
Diluted loss per share		(2.69)	(1.84)	1.34	(3.20)

11.3 Annex (3): Opinion given by the financial advisor

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Opinion of the Financial Advisor Regarding Swap Ratio

Date: 17/09/1442H
(29/04/2021G)

Amana Cooperative Insurance Co.
Riyadh, Salah Uddin Al Aioby St., (Platinum Center – Level 2) P.O. Box 279876, Riyadh, KSA
Members of Board of Directors
Dear Sirs,

Whereas Amana Cooperative Insurance Co. (hereinafter referred to as "Amana" or "Merging Company") wishes to enter into Merger transaction with Saudi Enaya Cooperative Insurance Co. (hereinafter referred to as "Enaya" or "Merged Company") through a swap financial securities offer to merge Enaya to Amana and transfer of all such assets and liabilities of Enaya to Amana ("Transaction" "Merger Transaction") and through increase of Amana capital by way of issuing ordinary shares ("New Shares") to shareholder of Enaya in accordance with rules and regulations of Capital Market Authority (the "Authority"), Companies Law and Competition Law. With reference to your letter to provide Amana with Opinion of Alinma Investment Co. ("Financial Advisor" or "Alinma Investment") in our capacity as the financial advisor of Amana in relation to Swap Ratio ("Swap Ratio") fairness and pursuant to Article 18 of Merger and Acquisition Regulation ("Regulation"), we hereby would like to express our Opinion related to Swap Ratio fairness referred to in Merge Agreement made with Enaya and signed on 17/09/1442H (29/04/2021G) ("Merge Agreement"). Under Merge Agreement, Amana will issue 15,858,024 (Fifteen Million, Eight Hundred Fifty Eight Thousand and Forty Two) new ordinary shares at a nominal value of SAR 158,580,240 (One Hundred Fifty Eight Million, Five Hundred Eighty Thousand and Two Hundred Forty Saudi Riyals) to shareholders of Enaya to merge Enaya to Amana and transfer all assets and liabilities of Enaya to Amana. The rate which will be issued in Amana against each one (1) share owned by Enaya is (1.05720160) ("Swap Ratio"). This will result in increase of Amana capital from SAR 130,000,000 (One Hundred Thirty Million Saudi Riyals) to SAR 288.580.240 (Two Hundred Eighty Eight Million and Five Hundred Eighty Thousand and Two Hundred Forty Saudi Riyals) and increase of number of shares from 13,000,000 (Thirteen Million Shares) to 28,858,024 (Twenty Eight Million and Eight Hundred Fifty Eight and Twenty Four Shares). As to submission of this Opinion, scope of revision and essential assumptions whereupon Alinma Investment relied include for example, but not limited to:

- Perusal of the audited financial statements of Amana and Enaya for the financial years ending 31 December 2017G, 31 December 2018G and 31 December 2019G and the nine-month period ending 30 September 2020G.
- Perusal and review of such necessary professional diligence, financial, tax, zakat, legal and actuarial reports of Amana and Enaya as prepared by other independent advisors.
- Review of Merger Agreement and MOU signed between Amana and Enaya.
- Review of proposed financial terms and conditions of Merger Transaction.
- Review of historical market prices of the Merging Company shares and the Merged Company shares.
- Conducting other financial analyses and studies and considering other information we deemed fit for the formation of this Opinion.

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Alinma Investment Co. Closed Joint Stock Company, Paid Up Capital SAR 500,000,000 Valid 1,000,000,000 C.R. No. 1010269764 | Capital Market Authority Licenses No. 09134 - 37

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In addition, we held discussion with management(s) of the Merging Company and the Merged Company with respect to certain aspects on Merger Transaction and previous and existing commercial operations of Amana and Enaya (including the financial position and operations of Amana and Enaya, implications of Merger

Transaction to the financial position of Amana and Enaya and other matters we deemed as necessary for purposes of provision of Opinion).

For purposes of provision of Opinion, we, Alinma Investment, assumed under your confirmation that all such financial, statutory, regulatory, tax, accounting data, information and documents and other information provided to, discussed with or perused by us are accurate and correct. Therefore, Alinma Investment accepts no liability as to accurateness, correctness and completeness of such data, information and documents submitted to it especially such data, information and documents obtained from external sources. Although the Financial Advisor has no any reason to believe that such data, information and documents are incorrect in their essence, however, such data, information and documents have not been verified in an independent manner by the Financial Advisor. Therefore, we have no any confirmation or guarantee as to correctness or completeness of any such data, information and documents. Moreover, Alinma Investment assumed that no material change was made to the financial position, assets and labilities of Amana and Enaya, that there are no any other facts, which if not included herein shall render any advice provided before it misleading and that all governmental, regulatory and other approvals necessary for purposes of Transaction completion will be obtained without any adverse effect to be incurred by Amana or Enaya.

Our Opinion shall not include the decision taken by Amana with respect to entry into the Transaction. Our opinion shall not discuss any aspects related to correctness or fairness of the legal or financial structure implied in the Transaction. This Opinion discusses only Swap Ratio fairness from a financial point of view as to Amana under the Merger Agreement as at such date indicated in this Letter.

We wish to confirm that we are not legal, regulatory or accounting experts or tax specialists. We depended on such estimates submitted by the Merging Company's advisors with respect to such matters. We assume that all material governmental, regulatory and other approvals and authorizations necessary Transaction completion will be obtained without any adverse effect to the Merging or Merged Company or such interests covered by Merger Transaction. Upon the submission of our opinion, we relied on such commercial estimates submitted by the Merging Company with respect to Merger Transaction. Being the Financial Advisor of Amana with respect to the Transaction, Alinma Investment will receive professional fees from Amana towards such services to be provided by Alinma Investment and included in this Opinion. Financial advisory services provided by us and our present Opinion have been provided for purpose of using them by Amana Board of Directors only to help them assess Merger Transaction and associated purposes. This Opinion shall not form a recommendation on how any holder of Amana ordinary shares would vote in relation to the Transaction or any other matter nor be relied on or used by third parties without a prior written consent of Alinma Investment. We gave our approval on that this Opinion may be included in Shareholders Circular which Amana will publish with respect to Merger Transaction.

In view of the foregoing, Alinma Investment opines that Swap Ratio, in accordance with the Merger Agreement as at the date of this Letter is fair for Amana Cooperative Insurance Co. from a financial point of view.

Yours Sincerely

alinma investment Co.

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11.4 Annex (4): A copy of Enaya Company's Articles of Association and Memorandum of Association including all amendments

SAUDI ENAYA عناية السعودية

Bylaws

SAUDI ENAYA COOPERATIVE INSURANCE COMPANY

A SAUDI JOINT STOCK COMPANY

(CHAPTER ONE)

Incorporation

ARTICLE (1): Incorporation

Saudi Enaya Cooperative Insurance Company shall be established in accordance with the Cooperative Insurance Companies Control Act Law, the Companies regulations, the Capital Market Law and its implementing regulations and the company's Bylaws as a Saudi joint stock company by and between the shareholders and pursuant to the provisions set forth herein under.

ARTICLE (2): NAME OF THE COMPANY

The name of the company is "**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**", (**a Saudi joint stock company**), and hereinafter referred to as ("**the company**").

ARTICLE (3): OBJECTIVES OF THE COMPANY

Practicing cooperative insurance operations in the health insurance, and the company has the ability to carry out all the operations that needs to be done to achieve its objectives. In addition, the company practices its activities in accordance with the cooperative insurance companies control act and its implementing regulations and provisions issued by the Saudi Arabian Monetary Agency **(hereinafter referred to as the "institution")** and the applicable rules and regulations In the Kingdom of Saudi Arabia, after obtaining the necessary licenses from the competent authorities, if any.

ARTICLE (4): PARTERSHIPS AND OWNERSHIP IN COMPANIES

The company may establish a limited liability companies, or joint stock companies from one person. In addition, it may also own shares or proportions in other existing companies or merge with them and has the right to participate with others in establishing joint stock or limited liability companies - provided that, the companies that the company establishing or participates in, or merges with, carry out activities similar to their operations or financial operations or that help them achieve their objectives - after fulfilling the needed regulations and instructions in this regard, and after obtaining SAMA's approval.

ARTICLE (5): HEAD OFFICE

The Company's head office shall be in the city of Jeddah, KSA. The head office may, with the approval of SAMA, be transferred to any other city in the Kingdom of Saudi Arabia by resolution of the Extraordinary General Assembly. The company may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia after obtaining the approval of SAMA.

ARTICLE (6): DURATION OF THE COMPANY

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of its entry into the Commercial Register. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of this term.

(CHAPTER TWO)

PRINCIPLES TO BE FOLLOWED BY THE COMPANY IN ITS OPERATIONS AND THE ATTAINMENT OF ITS OBJECTIVES

ARTICLE (7): THE INVESTMENTS OF THE COMPANY

The Company shall invest the funds collected from the Policyholders and the Shareholders in accordance with the rules set by the Board of Directors, without prejudice to the Cooperative Insurance Companies Control Act and its implementing regulations and all relevant rules and instructions issued by SAMA or any other concerned authority.

(CHAPTER THREE)

CAPITAL AND SHARES

ARTICLE (8): CAPITAL OF THE COMPANY

The share capital of the company is (150,000,000) one hundred and fifty million Saudi riyals, divided into (**15,000,000) fifteen million** registered shares of equal value, each with a value of (10) ten Saudi riyals, all are ordinary cash shares.

ARTICLE (9): SUBSCRIPTION OF THE CAPITAL

The shareholders have subscribed in the company's share capital in full, and the subscription amount has been fully paid.

ARTICLE (10): SHAREHOLDER REGISTER

Trading in the Company's shares shall be in accordance with the Capital Market Law and its implementing regulations.

ARTICLE (11): ISSUE OF SHARES

All the shares of the company are nominal, and they may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the Shareholders' equity and may not be distributed as profits among the Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

ARTICLE (12): TRANSFER OF SHARES

(12-1) The shares subscribed for by the Founders shall not be transferable before publishing the financial statements for two full fiscal year, each consisting of twelve (12) months from the date of incorporation of the Company, and after obtaining SAMA's approval. A notation shall be made on the respective share certificates, indicating the class, the date of incorporation of the Company and the lock-up period.

(12-2) However, the title to the shares may still be transferred during the lock-up period in accordance with the legal provisions for the sale of rights from one Founder to another or from the heirs of a deceased Founder to a third party or in the case of execution on the insolvent or bankrupt Founder, provided that the other Founders shall have the right of first refusal.

(12-3) This Article shall apply to shares subscribed for by the Founders in case of increasing the capital before the expiry of the lock-up period.

ARTICLE (13): INCREASE OF CAPITAL

(13-1) The Extraordinary General Assembly may adopt a resolution to increase the company's capital - after the approval of SAMA and the Capital Market Authority, provided that the original capital shall have been paid in full. The company's capital is not required to be paid in full if the unpaid part of the capital belongs to shares issued in exchange for converting debt instruments or financing instruments into shares and has not expired after the period prescribed for converting them into shares.

(13-2) The Extraordinary General Assembly in all cases shall allocate the issued shares upon increasing the capital or a part thereof to the employees of the company and the subsidiary companies or some of them, or any of that. Shareholders may not practice pre-emotive rights when the company issue shares assigned to employees.

(13-3) The Shareholders shall be notified of the pre-emotive rights, if any, vested in them by notice to be published in a daily newspaper addressing the capital increase resolution, the conditions, duration, commencement and closing dates of subscription.

(13-4) The Extraordinary General Assembly shall be entitled to suspend such pre-emotion rights in a cash capital increase or grant them to others when deemed to be in the Company's best interest.

(13-5) A Shareholder may sell or assign its pre-emotion right during the period from the date of the General Assembly resolution approving the capital increase until the subscription closing date, in accordance with the guidelines set by the Capital Market Authority.

ARTICLE (14): Decrease of Capital

(14-1) Subject to the approval of the concerned authorities, the Extraordinary General Assembly may adopt the resolution to reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses - after seeking the approval of SAMA and the Capital Market Authority, provided that the paid-up capital for the insurance company after the capital reduction is not less than **one hundred million (100,000,000) Saudi riyals**. The paid-up capital of the reinsurance company or the insurance company that practices the re-insurance business is also not less than **two hundred million (200,000,000) Saudi riyals**. The reduction decision shall not be issued except after reading a special report prepared by the auditor on the

reasons for it and on the company's obligations and the impact of the reduction on these obligations.

(14-2) If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

(CHAPTER FOUR)

BOARD OF DIRECTORS

ARTICLE (15): MANAGEMENT OF THE COMPANY

The company shall be managed by a board of directors composed of **eight (8) members** elected by the Ordinary General Assembly for a period not exceeding **three (3) years**. The composition of the Board of Directors must reflect the appropriate representation of independent members. In all cases, the number of independent members shall not be less than two or one third of the Board, whichever is greater. As an exception to the foregoing, the constituent assembly has appointed the Company's first Board of Directors for a period not exceeding **three (3) years**, starting from the date of publication of the Ministry of Commerce's resolution to incorporate the company.

ARTICLE (16): Termination of Membership of the Board

(16-1) The membership of the Board of Directors shall terminate upon the expiration of the Board session, resignation or death, or absent from **three (3) meetings** during **one (1) year** without a legitimate and acceptable excuse, or if it is established to the Board of Directors that the Board member has violated his duties in a way that harms the interest of the company, provided that this shall be effected with the approval of the Ordinary General Assembly, or the cessation of his membership in accordance with any law or directives in force in the Kingdom of Saudi Arabia, or if he is adjudged bankrupt or insolvent or makes any arrangement with his creditors or he ceases to pay

his debts, or suffers from mental illness or physical disability that may lead to the inability of the member to fully perform his role, or if it is proven that he committed an act that violated honesty and morals or was convicted of forgery under a final ruling.

(16-2) The Ordinary General Assembly may, at any time, remove all or any of the Board members without prejudice to the right of the removed member to claim compensation from the Company if the dismissal was for unjustifiable reasons or at unsuitable time. The Board member may resign at any time, provided that such resignation is at appropriate time to the Board, otherwise the member shall be liable towards the Company for any damage arising from its resignation.

(16-3) If a member of the board resigns and has notes on the company's performance, he must submit a written statement with these notes to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board of Directors.

(16-4) SAMA must be informed upon the resignation of any member of the Board or the termination of his membership for any reason other than the end of the Board session within five (5) working days from the date of leaving the work and taking into account the relevant disclosure requirements.

ARTICLE (17): VACANCIES

If the position of a Board member becomes vacant, the Board may appoint a member in the vacant position temporarily regardless of the order of the number of obtained votes and subject to such member having the experience and efficiency to such member having the experience and efficiency and a “No Objection” letter is obtained from SAMA. Such appointment shall be notified to the Ministry of Commerce, as well as the Capital Market Authority, within five (5) business days from the date of appointment and presented before the first meeting of the Ordinary General Assembly. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor.

ARTICLE (18): POWERS OF THE BOARD OF DIRECTORS

(18-1) Subject to the powers reserved for the General Assembly, the board of Directors shall have the broadest powers in the management of the company - to achieve its purpose, except for what is excluded by company’s bylaws or this system of business

or behaviors that fall within the jurisdiction of the General Assembly. **Which includes but not limited to:**

- Opening, operating, managing, updating, closing, writing off and liquidating all the bank or investment accounts of the company and the companies affiliated with the company and signing all the necessary documents in this regard.

- Sign every and all transactions in all financial and investment banks, companies, institutions and companies inside or outside the Kingdom of Saudi Arabia, for example but not limited to, deposits, withdrawals, internal or external transfers, buying or selling currencies, requesting and receiving checks books, receiving all kinds of checks, receive or exchange or deposit it in the company's account, request the bank statements, and sign all the necessary documents related to those operations.

- Opening letters of credit, requesting the issuance all kinds of bank guarantees, and signing all the commercial documents and papers resulting therefrom.

- Signing all the necessary documents to register the company and certifying the signatures of the commissioners on behalf of the company with the Chamber of Commerce and Industry in the Kingdom of Saudi Arabia.

- Requesting loans and credit facilities in accordance with the legal controls from all banks or government financing institutions or other lenders inside and outside the Kingdom of Saudi Arabia and approving them and signing their contracts and agreements and all the required documents whatever their duration or amounts and the conditions that the Board deems appropriate. In addition, the Board shall exercise all the powers of the company in borrowing and collecting funds, and signing and providing all the necessary guarantees, including legal guarantees, to guarantee the facilities of these loans, such as mortgages, bonds for an order, and other commercial papers, stock certificates, and other guarantees or cash.

- Signing all contracts and agreements on behalf of the company, including but not limited to leasing and/or sale and/or assignment and/or purchase and acceptance and/or mortgages and/or loans and/or customer offers and/or commercial agencies, and other contracts, agreements, and documents with any other party on behalf of the company for the company’s interest, including emptying, selling, buying, renting, leasing, mortgage, releasing mortgage and encashment the price, receipt, delivery, extracting, amending, renewing, and replacing the lost or damaged deeds, splitting, dividing, merging, sorting, and marginalizing all of them in front of all the writings of

justice and the competent authorities for all real estate, buildings and lands and signing all contracts and agreements related to that for the benefit of the company

- Documenting and signing the incorporation contracts and the partners decisions to amend the incorporation contracts in the companies which the company participates, whether they are operating or special purpose companies, and whether they are existing or new companies, which include but are not limited to amending the terms of their management, increasing or reducing their capital or selling, or waiver, purchase, and acceptance of shares, whether in full or in part, or transfer of its legal entity, or any other amendments in front of the notary, as well as signing on the decisions of Boards of Directors or partners, or shareholder's assemblies or partners, as well as representing the company, voting, objecting, discussing, and signing on its behalf in all the necessary documents in all types of assemblies, including the Ordinary General Assembly or the Extraordinary General Assembly and others.

- Appointing employees and/or directors, and/or departments heads and other company employees in all their names and grades, determining their positions and wages, and give them the necessary powers or terminate them without prejudice to their rights.

- Recruiting labor and/or employees and/or consultants and others from outside the Kingdom of Saudi Arabia, submitting requests for obtaining and receiving visas, issuing and/or striking off and/or renewing residence permits, transferring iqamas, reviewing all embassies and consulates and signing all necessary documents.

- Appointment or terminate the consultants and experts, including lawyers, accountants, and arbitrators, to represent the company, act on its behalf, claim, defend, plead, reconcile, assign, comment, deny, accept and deny judgments, request the oath and return of it, hear claims, respond to it, deny lines and seals, and challenge them with forgery and follow-up on every case raised by or against the company or from the companies in which the company is a partner on behalf of the company, in front of all governmental and semi-governmental bodies, committees, courts and judicial authorities with various names and degrees inside or outside the Kingdom of Saudi Arabia, including without limitation, the Board of Grievances (Administrative Courts), Shari'a Courts, Appeal Courts, Arbitration Committees, Workers Committees in various degrees, the Commercial Securities Committee, the Banking Disputes Settlement Committee of the Corporation, the Securities Disputes Resolution

Committee, the Customs Committees, and all the committees established by any authority or institution, etc., SAMA and the Financial Market Authority, the police, the emirates of the regions, the General Administration of Civil Rights in the Ministry of Interior, the Ministry of Foreign Affairs, the Chamber of Commerce and Industry, the municipalities, the Secretariat, the labor and recruitment offices, the General Directorate of Passports, and telecommunications companies licensed in the Kingdom of Saudi Arabia, the General Organization for Social Insurance, the General Authority of Zakat and Income, and all governmental, semi-governmental and private bodies or and institutions with various names, types and jurisdiction.

-The Board of Directors has the right to delegate any of its authorities to the Chairman and/or to the Managing Director (if appointed) or to any member of the Board of Directors or to any committee composed of members of the Board or to any of the employees working in the company or any third party. In addition, all these people have also the right, together or individually, to empower and/or delegate others.

- The Board of Directors may sell or mortgage the company's real estate and assets for the benefit of the company, **subject to the following conditions:**

(A) The Board shall determine in his decision to sell the reasons and justifications for it.

(B) That the sale shall be close to the same price.

(C) That the sale shall be presented, except in cases of necessity and with enough guarantees.

(D) Such behavior does shall not cause suspension of some of the company's activities or the imposition of other obligations.

-The Board of Directors shall determine in the cases to discharge the company's debtors from their obligations accordance to the company’s interest, provided that the minutes of the Board of Directors and the reasons for its decision shall include the following conditions, **which are:**

(A) The release must be after a full year has passed since the debt had arisen.

(B) The release must be for a specified maximum amount per year for one debtor.

(C) The release is a right of the Board cannot be delegated.

(18-2) The Board may also - within the limits of its competence – to authorize one or more of its members or from others to undertake a specific business/businesses - in a manner that does not contradict with the relevant rules and regulations.

ARTICLE (19): REMUNERATITON OF BOARD OF DIRECTORS, THE CHAIRMAN AND THE MANAGING DIRECTOR

(19-1) The remuneration of the members of the Board of Directors shall be a certain amount, an attendance allowance for the sessions, in-kind benefits or a specific percentage of the net profits, and it is possible to combine two or more of these benefits according to the approved Compensation Policy for Board, Committees, and Senior Management from EGM.

(19-2) In case the Company attains profits, it may distribute 10% of the net profit after deducting the reserves determined by the General Assembly in accordance with the Cooperative Insurance Companies Control Act and distributing at least 5% of the Company's paid-up share capital among the Shareholders. Entitlement to such distribution shall be proportional to the number of meetings attended by the member.

(19-3) In all cases, a Board member's total remuneration must not exceed **five hundred thousand (500,000 SR) Saudi riyals** per year (the members of the audit committee are excluded from that) according to the controls set by the Capital Market Authority.

(19-4) The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all remuneration made to the members of the Board, attendances allowance and other expenses paid to the members of the Board of Directors within the fiscal year. The report shall also include a statement of the payments received by the members of the Board in their received in return for technical, administrative or consultative services, as well a statement of the number of meetings attended by each member as from the date of the last meeting of the General Assembly.

ARTICLE (20): POWERS OF THE CHAIRMAN, VICE-CHAIRMAN, MANAGING DIRECTOR AND SECRETARY

The Board of Directors shall select from amongst its members a Chairman, Vice Chairman. The Board appoint a CEO and may also appoint a Management Director. The Chairman may not also hold any executive position in the Company. The

Chairman shall be authorized to sign for the Company and enforce the resolutions of the Board. The Chairman of the Board of Directors is competent to represent the company in its relations with others, governmental and private bodies, in front of the judiciary, arbitration bodies, others, and to appoint or terminate consultants and experts, including lawyers, accountants, and arbitrators, to represent the company and act on its behalf. The Chairman of the Board of Directors may by written decision, delegate some authorities to other members of the Board or from others to perform specific work or actions. The Board of Directors shall determine the salaries, allowances, and remunerations for both the Chairman and the Managing Director in accordance with what is decided in **Article (19)** of this bylaw. The Board of Directors must appoint a secretary to the Board. The Board may also appoint one or more advisors to provide advice in running the various affairs of the Company and the Board shall determine their remuneration. The term of the office of the Chairman, Vice Chairman, the Managing Director, and the Secretary shall not exceed their respective term of service as Directors and may be renewed. The Board may dismiss all or any of them without prejudice to their right in compensation if the dismissal was illegitimate reasons or occurred in inappropriate time.

ARTICLE (21): BOARD MEETING

The Board shall meet at the head office of the Company upon a call by the Chairman, if so, requested by any two (2) Board members. Such call shall be in the form chosen by the Board. The Board shall hold meeting on a regular basis and whenever need arises, but in all cases the Board is required to hold at least four (4) meetings in a year, and at least a meeting every quarter.

ARTICLE (22): QUORUM OF THE BOARD MEETING

(22-1) The Board meeting shall not be valid unless attended by **four (4)** members themselves or by proxy, provided that the number of members present themselves is **three (3)** members at least.

(22-2) If the conditions for convening the Board of Directors are not fulfilled due to the lack of its members below the minimum stipulated in this system, the remaining members must invite the Ordinary General Assembly to convene within **sixty (60)** days to elect the necessary number of members.

(22-3) By the resolution of the Capital Market Authority, the Ordinary General Assembly may be convened if the number of members of the Board of Directors are less than the minimum validity of its meeting.

(22-4) A Board member may not delegate another to attend the meeting. As an exception to this, a member of the Board of Directors may delegate another member.

(22-5) Board resolutions are issued by majority of the opinions of the members present or represented in it, and in case of tie, the Chairman shall have the casting vote

(22-6) In urgent cases, the Board may adopt resolutions by circulation unless one Board member requests a meeting for deliberations on such a resolution, in which case such resolutions shall be laid before the Board in its first following meeting.

ARTICLE (23): MINUTES OF MEETINGS

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman, Board members in attendance and the Secretary. The minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

ARTICLE (24): AGREEMENTS, CONTRACTS, CONFLICTS OF INTEREST AND COMPANY COMPETITION

(24-1) Subject to obtaining a NOC letter from SAMA, the Company may, enter into technical services contracts with one or more companies duly qualified in insurance business.

(24-2) A member of the Board of Directors may not have any direct or indirect interest in the business and contracts that are made for the company's interest except with a license from the Ordinary General Assembly, and the member of the Board of Directors must inform the Board of his direct or indirect interest in business and contracts which are done for the company's benefit, and this notification shall be registered in the minutes of the meeting.

(24-3) This member shall not participate in voting on the decision issued in this regard by the Board of Directors and the shareholders Assemblies.

(24-4) The Chairman shall notify the General Assembly, when convened, of the transactions and contacts wherein a Board member may have a direct or indirect, and

shall attach to such notification a special report prepared by the Company's external auditors.

(24-5) If the Board member fails to make the aforesaid disclosure, the Company or any interested person may apply to the competent court to nullify the contract or to order the relevant member to return any profit or benefit or he obtained from such contract(s).

(24-6) Responsibility for damages resulting from the works and contracts referred to in paragraph (24-1) of this article rests on the member in charge of the work or contract, as well as on the members of the Board of Directors, if those actions or contracts are in violation of the provisions of that paragraph or if it is proven to be unfair, or involves a conflict of interest and harm the shareholders.

(24-7) The members of the Board of Directors opposed to the decision are relieved from liability whenever they demonstrate their objection explicitly in the minutes of the meeting, and the absence from attending the meeting in which the decision is issued is not considered a reason for exemption from liability unless it is proven that the absent member was not aware of the decision or was unable to object on it after learning about it.

(24-8) A member of the Board of Directors is not permitted to participate in any work that would compete with the company, or to compete with the company in one of the branches of the activity that it is engaged in. Otherwise, the company may sue him in front of the competent judicial authority for appropriate compensation, unless he has obtained a previous license from the ordinary general assembly, which is renewed every year that allows him to do so.

(CHAPTER FIVE)

SHAREHOLDER ASSEMBLIES

ARTICLE (25): GENERAL ASSEMBLY

(25-1) The duly constituted General Assembly represents all Shareholders and shall be held in the city where the head office of the Company is located.

(25-2) Each Shareholder shall have the right to attend a General Meeting irrespective of the number of the Shares owned by that Shareholder. Each Shareholder may appoint any person, other than the members of the Board or employees of the Company, to attend the General Assembly on its behalf. A shareholder may participate

in the General Assembly's deliberations and vote on its resolutions via modern technology in accordance with the controls set out by the concerned authorities.

ARTICLE (26): Constituent General Assembly

(26-1) Founders shall call for a Constituent General Assembly within **forty-five (45) days** from the subscription closing date. The period between the date of the invitation and the date of the meeting should not be less than **ten (10)** days.

(26-2) Each Shareholder shall have the right to attend the Constituent General Assembly irrespective of the number of the Shares owned by it. The meeting of the Constituent General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be called for within fifteen (15) days from the date of invitation thereto. However, the second meeting may, if so stated in the original invitation, be held after the lapse of one hour from the time fixed for the fist meeting. In all cases the second meeting shall be deemed quorate regardless of the number of the Shareholders represented therein.

ARTICLE (27): POWER OF THE CONSTITUENT GENERAL ASSEMBLY

The Constituent General Assembly shall be competent to address the following matters:

(27-1) Ascertain that the capital of the Company has been fully subscribed for and the minimum capital requirement has been met in accordance with the provisions of this system.

(27-2) Deliberation in the report of the evaluation of the in-kind shares.

(27-3) Adopt the final text of the Company's Bylaws. However, the Assembly may not make any material changes to the bylaws without the consent of all subscribers represented thereat.

(27-4) Appointing the members of the company's first Board of Directors for a period not exceeding five (5) years and the first auditor unless they have been appointed in the company's contract or Bylaws.

(27-5) Deliberate on the Founders' report on the formalities and expenses incurred for the incorporation of the Company. The Ministry of Commerce, as well as the Capital

Market Authority, may send a delegate **(or more)** as an observer to attend the company's founding Assembly, to ensure that the provisions of the system are applied.

ARTICLE (28): ORDINARY GENERAL ASSOCIATION

Except for the matters reserved for the Extraordinary General assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year withing the six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

ARTICLE (29): EXTRAORDINARY GENERAL ASSOCIATION

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

ARTICLE (30): INVITATIONS TO GENERAL ASSEMBLIES

(30-1) The Board of Directors shall call for a General Assembly if requested by the auditor, audit committee or a number of Shareholders holding or representing at least five per cent (5%) of the share capital. The auditor may call for the General Assembly in case the Board fails to do so within thirty (30) days from the auditor's request.

(30-2) It is permissible by a decision of the Capital Market Authority to invite the Ordinary General Assembly to convene in the following cases:

- If the specified period of time has passed (**within the six months following the end of the company's fiscal year**) without its convening.

- If the number of members of the Board of Directors is less than the minimum validity of its meeting.

- If there are violations in the provisions of the company or its Bylaws, or a defect in the company's management.

- If the Board did not invite the General Assembly to convene within **fifteen (15) days** from the date of the request of the auditor or the audit committee or a number of shareholders, it represents **five (5%) percent** of the capital at least.

(30-3) A number of shareholders representing at least **two (2%)** percent of the capital may submit a request to the Capital Market Authority to invite the Ordinary General Assembly to convene, if any of the cases stipulated in **paragraph (30-2)** of this article are available. The Capital Market Authority shall invite the meeting to convene within **thirty (30)** days from the date of submitting the shareholders' request, provided that the invitation includes a schedule of the business of the Assembly and the items required to be approved by the shareholders.

(30-4) The invitation for the Assembly shall be published in a daily newspaper circulated in the city where the head office of the Company so located at least **twenty-one (21)** days before the date set for the meeting, and a copy of the invitation shall and the agenda shall be sent to the Ministry of Commerce and the Capital Market Authority. However, it may be sufficient to extend the invitation within the aforementioned time to all shareholders by registered letters. A copy of the invitation and the agenda shall be sent to the Capital Market Authority within the specified period of publication.

ARTICLE (31): REGISTER OF ATTENDANCE

A Shareholder wishing to attend a General or special Assembly shall register its name in the register maintained in the Company's head office before the time fixed for the meeting.

ARTICLE (32): Quorum for the Ordinary General Assembly

(32-1) The Ordinary General Assembly meeting shall not be valid unless shareholders representing at least one fourth of the company's capital are present.

(32-2) If the quorum necessary to hold the Ordinary General Assembly meeting is not available according to **paragraph (32-1)** of this article, a second meeting will be held within the **thirty (30)** days following the previous meeting. This invitation shall be published in the manner stipulated in **Article (30)** of **this bylaw,** nevertheless, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes a statement

declaring the possibility of holding this meeting, and in all cases the second meeting is valid whatever the number of shares represented in it.

ARTICLE (33): QUORUM FOR THE EXTRAORDINARY GENERAL ASSEMBLY MEETING

(33-1) The Extraordinary General Assembly meeting shall not be valid unless attended by shareholders who represent at least half of the company's capital.

(33-2) If the quorum required to hold the Extraordinary General Assembly meeting in accordance with **paragraph (32-1)** from this article is not available, a second meeting shall be convened in the same conditions stipulated in **Article (30)** of this policy. In addition, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes a statement declaring the possibility of holding this meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders, who represent at least a quarter of the capital.

(33-3) If the required quorum is not available at the second meeting, a third meeting is convened in the same conditions stipulated in **Article (30)** of this system, and the third meeting is valid whatever the number of shares represented in it, after the approval of the Capital Market Authority.

ARTICLE (34): VOTING RIGHTS

Votes at the meetings of Constituent, Ordinary and Extraordinary General Assemblies shall be counted on (one-share-one vote) basis. Members of the counted on (one share-one vote) basis. Members of the Board of Directors shall be appointed by the way of cumulative voting, where only one vote can be used per each share. A Board member may not participate in any vote regarding its release from the responsibility for the management of the Company, or regarding any of its direct or indirect interest(s)

ARTICLE (35): SHAREHOLDERS ASSEMBLIES' RESOLUTIONS

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the shares represented there at. However, if a resolution relates to granting special benefits, a majority of the subscribers of cash shares is needed such that they represent at least two thirds of the mentioned shares after discounting the special benefits subscribed for. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds

of the shares reprinted at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefor under these Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

ARTICLE (36): DELIBERATIONS

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. Any provision in the Company's Bylaws denying such right shall be null and void. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be final and binding.

ARTICLE (37): PROCEEDINGS OF THE GENERAL ASSEMBLY & MINUTES OF MEETINGS

(37-1) The General Assembly shall be presided over by the Chairman or, in his absence, the Vice Chairman or, in his absence, any Director designated by the Board.

(37-2) Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the shares held or reprinted by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes asserting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary, and the rapporteur.

(CHAPTER SIX)

BOARD COMMITTEES

ARTICLE (38): BOARD COMMITTEES

Board Committees shall be constituted in accordance with the applicable rules and regulations.

(CHAPTER SEVEN)

AUDITOR

ARTICLE (39): APPOINTING OF AUDITOR

The Company shall have two (or more) auditors to be selected from around the auditors licensed to work in the Kingdom of Saudi Arabia. The auditor(s)' remuneration and term of office shall be fixed by the General Assembly. The General Assembly may reappoint the same auditor, provided that the total period of his appointment shall not exceed **five (5)** consecutive years, and the person who has exhausted this period may be reappointed after two years from the date of its termination. The General Assembly may also change them at any time without prejudice to their rights to compensation if the change occurred in inappropriate time.

ARTICLE (40): APPOINTMENT OF AUDITOR

The auditor may, at any time, have the right to view the company's books, records and other documents, and he may request the data and clarifications that he deems necessary to obtain. He may also verify the company's assets, liabilities and other matters within the scope of his work. The Chairman of the Board of Directors must enable him to perform his duty, and if the auditor finds it difficult in this regard, this is proven in a report submitted to the Board of Directors. If the Board does not facilitate the work of the auditor, he must ask the Board of Directors to invite the Ordinary General Assembly to consider the matter.

ARTICLE (41): AUDITOR'S OBLIGATIONS

The auditor shall submit to the annual General Assembly a report prepared in accordance with the recognized auditing standards showing how far the Company has

enabled it to obtain the information and clarifications it has requested and what it has discovered of violations to the Cooperative Insurance Companies Control Act and its implementing regulations and any other applicable bylaws and regulations, and its opinion as to whether or not the Company's accounts conform to the facts. The General Assembly shall review the auditor's report, and if the Assembly decides to ratify the Bboard's report and the financial statements without hearing the auditor's report, its decision shall be void.

(CHAPTER EIGHT)

THE COMPANY'S ACCOUNTS AND DISTRIBUTION OF PROFITS

ARTICLE (42): FINANCIAL YEAR

The Company's financial year shall commence on the 1st of January and end on the 31st of December of each Gregorian year. However, the Company's first financial year shall commence on the date of the Ministerial Resolution announcing the incorporation of the Company and end on the 31st of December of the following year.

ARTICLE (43): FINANCIAL STATEMENTS

(43-1) The Board of Directors shall prepare at the end of each financial year the Company's financial statements (being statement of financial position for insurance operations and shareholders, a statement of surplus (deficit) of insurance operations, a statement of shareholders' income, a statement of shareholders equity, a statement of cash flow of shareholders) and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits for that financial year. The Board shall place such documents at the disposal of the Auditors at least forty-five (45) days prior to the date set for convening the General Assembly.

(43-2) The Chairman of The Board of Directors, the CEO and the financial manager shall sign the aforesaid documents mentioned in paragraph **(43-1),**and deposit a copy thereof in the Company's head office to be at the disposal of the Shareholder at least **twenty-one (21)** days prior to the date set for convening the General Assembly.

(43-3) The Chairman of the Board of Directors shall provide the Shareholders with a copy of the Company's financial statements, Board of directors report and the Auditors' Report, unless he has previously published the said documents in a newspaper circulated in the city where the head office of the Company so located. The Chairman shall send copies of such documents to the Ministry of Trade and the Capital Market Authority, at least **fifteen (15)** days prior to the date set for convening the Ordinary General Assembly.

ARTICLE (44): INSURANCE ACCOUNTS

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details.

(44-1) INSURANCE OPERATIONS ACCOUNTS

- An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions.

- An independent account shall be dedicated to compensation incurred by the Company.

- There shall be determined at the end of every year the total surplus which represents the total premiums and compensation less marketing and administrative, and operational expenses and the necessary technical provisions in accordance with directives in this regard.

- Net surplus shall be determined by:

* Adding to, or subtracting from, the total surplus referred to in paragraph **(44-1)** above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they own in expenses realized; and

- Net surplus shall be distributed either by distrusting ten per cent (10%) directly to the Policyholders or by reducing their premiums for the next year, and ninety per cent (90%) of the balance shall be carried over to the Shareholders' income statement.

(44-2) SHAREHOLDERS' INCOME STATEMENT

- The Shareholders' profits from the investment of their funds shall be in accordance with the rules set by the Board of Directors.

- The share of the Shareholders in the net surplus shall be as set in the fifth item of **paragraph (44-1)** of this article.

ARTICLE (45): ZAKAT & RESERVES

***** The Company shall

(45-1) Withhold Zakat and the prescribed income tax.

(45-2) Set aside twenty per cent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals on hundred per cent (100%) of the Company's paid-up capital.

(45-3) The Ordinary General Assembly may set aside a percentage of the annual net profits to form an additional reserve(s) to the extent required to achieve the Company's interest or to distribute fixed profits, as far as possible, to Shareholders.

(45-4) The Company's annual net profits that it determines shall be distributed after deduction of all general expenses and other costs, and the formation of the necessary reserves to counter doubtful debts, investment losses and contingent liabilities that the Board of Directors deems necessary in accordance with the provisions of the Cooperative Insurance Companies Control Law Act and the provisions issued by the SAMA. In addition, from the remainder of the profits after deducting the reserves established under the relevant regulations and Zakat, a percentage of not less than **(5%) percent** of the paid-up capital shall be allocated for distribution to the shareholders according to what is proposed by the Board of Directors and decided by the General Assembly. If the remaining percentage of the profits owed to the shareholders is not sufficient to pay this percentage, the shareholders may not claim to pay it in the year or the following years, and the General Assembly shall not decide to distribute a percentage of the profits for what was proposed by the Board of Directors.

ARTICLE (46): ENTITLEMENT TO PROFITS

A Shareholder's entitlement to an annual Interim dividend shall be specified in a decision from the General Assembly. The decision shall specify the maturity and distribution dates. Entitlement to profits of the Shareholders registered in the

Shareholders Register shall fall due at end of day of the maturity date. The Company shall, without undue delay, notify CMA of any actual or proposed distribution of profits. The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the concerned authority and subject to SAMA's prior written consent.

ARTICLE (47): COMPANY LOSSES

If the Company's losses reaches, at any time of the financial year, 50% of its capital, the auditor or any officer of the Company shall notify the Chairman as soon as it becomes aware of such losses. The Chairman shall, in turn, notify the Board of Directors, which shall, within 15 days of notification, call the Extraordinary General assembly to convene within 45 days from the date of notification to consider whether to increase or decrease the share capital in accordance with the Companies Regulation to the extent required to reduce the losses to less than 50% of the Share capital, or whether to dissolve the Company prior to the expiry of its term specified in the Company's Bylaws. In all cases the Assembly's resolution shall be posted on the website of the Ministry of Commerce and investment. The Company shall be considered as dissolved by operation of law if the Extraordinary General Assembly fails to convene within the above stated period, or if it convenes on time but fails to make a decision on the situation, or if it decides to increase the share capital but the increase amount has not been subscribed for in full within 90 days from decision to increase the share capital.

(CHAPTER NINE)

DISPUTES

ARTICLE (48): COMPANY'S LIABILITIES

The Company shall be bound vis-a-vis third parties with respect to the acts or transactions of the Board of Directors even if such acts or transactions do not fall within the Board's powers, unless the third party was acting in bad faith or was aware of the fact that such acts or transactions exceed the powers granted to the Board.

ARTICLE (49): THE RESPONSIBILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS

(49-1) The members of the Board of Directors shall be jointly responsible for compensating the company, the shareholders or others for the damage that results from their mismanagement of the company's affairs or their violation of the provisions of the cooperative insurance companies control system and its executive regulations, and other related instructions and this system, and any condition stipulated otherwise is considered as if it were not. All members of the Board of Directors bear the responsibility if the error arises from a decision issued unanimously. As for decisions issued by majority opinion, opposition members are not asked about them when they have demonstrated their opposition explicitly in the minutes of the meeting. Absence from attending the meeting when the decision is issued is not considered a reason for exemption from liability unless it is established that the absent member was not aware of the decision or was unable to object after knowing about it.

(49-2) The filing of a liability suit shall not preclude the approval of the Ordinary General Assembly to absolve the members of the Board of Directors.

(49-3) The liability claim is not heard after the expiration of **three (3) years** from the date the harmful action was discovered. - With the exception of cases of fraud and forgery - the liability lawsuit is not heard in all cases after the passage of **five (5) years** from the date of the end of the fiscal year in which the harmful act occurred or **three (3) years** from the expiry of the membership of the concerned Board member, whichever is later.

(49-4) Each Shareholder has the right to file a suit for the liability prescribed for the company against the members of the Board of Directors if the error that was issued against them is to cause his own harm. The shareholder may not file the said lawsuit, unless the company’s right to file it still exists. The shareholder must inform the company of his intention to file the lawsuit, while limiting his right to a claim for compensation for the special damage caused to him.

(49-5) The company may be charged the following expenses that are guaranteed by the shareholder to file a lawsuit, whatever its outcome, **under the following conditions:**

- If he filed the lawsuit in good faith.

- If he presents to the company the reason for which he filed the lawsuit and did not receive a response within **thirty (30) days**.

- If it is in the company's interest to file this lawsuit based on the provisions of **Article (79)** of the Company's Bylaws.

- That the lawsuit based on a valid basis.

(CHAPTER TEN)

LIQUIDATION OF THE COMPANY

ARTICLE (50): DISSOLUTION OF THE COMPANY

(50-1) Upon the expiry of the period specified for it, the Company shall be considered under liquidation. The legal personality of the Company shall continue until the completion of the liquidation.

(50-2) The decision for voluntary liquidation shall be issued by the partners or the General Assembly.

(50-3) The liquidation decision shall include the appointment of the liquidator, the determination of his powers and fees, the restrictions imposed on his powers, and the period of time necessary for the liquidation. The period of voluntary liquidation must not exceed **five (5) years**, and it may not be extended for more than that except by court order.

(50-4) The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the company and shall act vis-à-vis third parties as liquidators until the company's liquidators are appointed. The company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators. Any surplus remains after liquidation from insurance operations or the reserves formed in accordance with Articles (44) and (45) of these Bylaws shall be reserved for the shareholders.

(CHAPTER ELEVEN)

FINAL PROVISIONS

ARTICLE (51): THE COMPANY'S BYLAWS

The Cooperative Insurance Company Control Law and its implementing regulations, the Companies Regulations, and all other applicable rules and regulations shall apply to all other matters not specifically provided for herein.

ARTICLE (52): PUBLISHING

These Bylaws shall be filed and published in accordance with the Companies Regulations.

11.5 Annex (5): Amendments to the Articles of Association of Amana Company in the Merger

Annex No. (1): Amendments to the Articles of Association of Amana Company in the Merger

Article before amendment	Article after amendment
Article Two: Company Name: Amana Company Cooperative Insurance SJSC	**Article Two:** Amana Company-Enaya Company Cooperative Insurance SJSC, or any name to be agreed upon later.
Article Eight: The company's capital is (SAR 130,000,000) one hundred and thirty million Saudi Riyals, divided into (SAR 13,000,000) thirteen million shares of equal value with a nominal value of (SAR 10) ten Saudi Riyals per share, all of which are ordinary cash shares.	**Article Eight:** The company's capital is (SAR 288,580,240) two hundred and eighty-eight million five hundred and eighty thousand two hundred and forty Saudi Riyals, divided into (SAR 28,858,024) twenty-eight million eight hundred fifty-eight thousand and twenty-four shares of equal value with a nominal value of (SAR 10) ten Saudi Riyals per share, all of which are ordinary cash shares.
Article Fifteen: Company Management: The company shall be managed by a Board of Directors consisting of (7) members elected by the Ordinary General Assembly for a period not exceeding three years, and the composition of the Board of Directors shall reflect an appropriate representation of the independent members. In all cases, the number of independent members of the Board may not be less than two members or one third of the members of the Council, whichever is greater. As an exception to this, the Constituent Assembly appoints the members of the first board of directors for a period not exceeding (3) three years starting from the date of the publication of the decision of the Ministry of Commerce and Investment to establish the company.	**Article Fifteen: Company Management:** The company shall be managed by a Board of Directors consisting of (8) members elected by the Ordinary General Assembly for a period not exceeding three years, and the composition of the Board of Directors shall reflect an appropriate representation of the independent members. In all cases, the number of independent members of the Board may not be less than two members or one third of the members of the Board, whichever is greater. As an exception to this, the Constituent Assembly appoints the members of the first board of directors for a period not exceeding (3) three years starting from the date of the publication of the decision of the Ministry of Commerce to establish the company.



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