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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

PricewaterhouseCoopers
5th floor, Jameel Square,
P.O. Box 16415
Jeddah 21464
Kingdom of Saudi Arabia
License No. 25

Ernst and Young & Co Public Accountant (Professional Limited Liability Company)
King's Road Tower – 13th Floor
King Abdulaziz Road (Malek Road)
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office - Riyadh
Registration NO. 45/11/323
C.R. No. 4030276644

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, 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, which include 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

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 *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, 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 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 key audit matter below, a description of how our audit addressed the matter is provided in that context:

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 2021, gross outstanding claims and reserves including claims incurred but not reported (IBNR) and premium deficiency reserve amounted to Saudi Riyals 2.1 billion as reported in Note 13.2 to the financial statements. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events. The Company calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences. Due to the inherent estimation uncertainty and subjectivity, including additional uncertainties due to COVID-19 pandemic, involved in the assessment of valuation of the ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter.	We performed the following procedures • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on a sample basis, the accuracy of the underlying claims data utilised by management's actuarial expert in estimating the IBNR by comparing it to the accounting and other records. • Challenged management's methods and assumptions, using the expertise of our internal actuaries to understand and evaluate the Company's actuarial practices and provisions established. We gained comfort over the actuarial report issued by management's expert, by performing the following:

Independent Auditors' Report

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

Key Audit Matters (continued)

Please refer to notes 3(xxi) for the accounting policy adopted by the Company and note 2d(i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of claims. Also, refer to note 13 for the movement in outstanding claims.	i. Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Company's 2021 Annual Report other than the financial statements and our auditors' report thereon. The Company's 2021 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 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 the 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, the applicable requirements of the Regulations for Companies, 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, 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e. the Board of Directors of the Company is 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 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.

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

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

for PricewaterhouseCoopers
Certified Public Accountants

Mufaddal A. Ali
Certified Public Accountant
License No. 447

for Ernst & Young Professional Services

Hussain Saleh Asiri
Certified Public Accountant
Licence No. 414

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

Rajab 29, 1443H
March 2, 2022
Jeddah, Kingdom of Saudi Arabia

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

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 SR'000	2020 SR'000
ASSETS			
Cash and cash equivalents	5	**960,758**	633,251
Premiums receivable – net	6	**1,761,300**	1,320,043
Reinsurers' share of unearned premiums	13.1	**27,935**	20,108
Reinsurers' share of outstanding claims	13.2	**7,207**	1,475
Reinsurers' share of claims incurred but not reported	13.2	**7,829**	6,461
Deferred policy acquisition costs	14	**201,042**	68,214
Investments	7	**5,703,773**	6,029,446
Prepaid expenses and other assets	8	**113,254**	85,086
Term deposits	9	**3,093,720**	2,796,547
Fixtures, Furniture – net	10.1	**69,771**	78,393
Right-of-use assets – net	10.2	**112,616**	125,626
Intangible assets – net	11	**67,277**	61,958
Deferred tax asset	26.b	**39,735**	37,941
Goodwill	4	**98,000**	98,000
Statutory deposit	12	**120,000**	120,000
Accrued income on statutory deposit	12	**14,885**	13,806
TOTAL ASSETS		**12,399,102**	11,496,355
LIABILITIES			
Accrued and other liabilities	18.1	**604,774**	540,450
Lease liability	18.2	**125,333**	135,600
Insurance operations' surplus payable	20	**190,060**	200,391
Reinsurers' balances payable	25	**25,397**	4,873
Unearned premiums	13.1	**4,709,555**	4,023,331
Outstanding claims	13.2	**601,168**	446,519
Claims incurred but not reported	13.2	**1,413,888**	1,378,294
Premium deficiency reserve	13.2	**74,602**	263,751
Claims handling reserve	13.2	**21,797**	20,755
Due to related parties	24	**33,723**	108,521
Provision for end-of-service benefits (EOSB)	21	**152,286**	140,012
Provision for zakat and income tax	26.c	**236,610**	317,199
Accrued income payable to SAMA	12	**14,885**	13,806
TOTAL LIABILITIES		**8,204,078**	7,593,502
EQUITY			
Share capital	27	**1,200,000**	1,200,000
Statutory reserve	28	**992,210**	867,096
Share based payments reserve	29	**43,500**	32,800
Shares held under employees share scheme	29	**(53,356)**	(48,779)
Retained earnings		**1,790,700**	1,684,003
Re-measurement reserve of employees' EOSB		**(23,638)**	(31,173)
Investments fair value reserve – related to shareholders		**236,633**	174,848
TOTAL SHAREHOLDERS' EQUITY		**4,186,049**	3,878,795
Investments fair value reserve – related to policyholders		**8,975**	24,058
TOTAL EQUITY		**4,195,024**	3,902,853
TOTAL LIABILITIES AND EQUITY		**12,399,102**	**11,496,355**

Chairman

Director and Chief Executive Officer

NADER ASHOOR

Director and Chief Financial Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

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

STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	2021 SR'000	2020 SR'000
REVENUES			
Gross premiums written	13.1	**11,382,194**	10,447,353
Reinsurance premiums ceded – Local		**(5,345)**	(5,953)
Reinsurance premiums ceded – International		**(80,737)**	(59,289)
Net premiums written		**11,296,112**	10,382,111
Changes in unearned premiums – net		**(678,397)**	352,371
Net premiums earned	13.1	**10,617,715**	10,734,482
UNDERWRITING COSTS & EXPENSES			
Gross claims paid		**(9,073,926)**	(8,262,050)
Reinsurers' share of claims paid		**22,393**	20,987
Net claims paid		**(9,051,533)**	(8,241,063)
Changes in outstanding claims	13.2	**(154,649)**	5,269
Changes in claims incurred but not reported	13.2	**(35,594)**	(220,866)
Changes in premium deficiency reserve		**189,149**	(263,751)
Changes in claims handling reserves		**(1,042)**	(2,263)
Reinsurance share of changes in outstanding claims		**5,732**	257
Reinsurance share of changes in claims incurred but not reported		**1,368**	2,489
Net claims incurred		**(9,046,569)**	(8,719,928)
Policy acquisition costs	14	**(343,427)**	(630,734)
Total underwriting costs & expenses		**(9,389,996)**	(9,350,662)
NET UNDERWRITING INCOME		**1,227,719**	1,383,820
OTHER OPERATING (EXPENSES)/INCOME			
Allowance for doubtful receivables	6	**(22,458)**	(28,770)
General and administrative expenses	31	**(598,594)**	(585,549)
Selling and marketing expenses	32	**(115,646)**	(106,467)
Investment income – net	33	**260,437**	213,295
Other income – net		**37,590**	27,481
Total other operating (expenses)/income		**(438,671)**	(480,010)
Income before surplus, zakat & income tax		**789,048**	903,810
Income attributed to the insurance operations (transfer to surplus payable)	20	**(58,347)**	(80,141)
Income attributed to the shareholders before zakat and income tax		**730,701**	823,669
Zakat charge	26.a	**(41,136)**	(64,297)
Income tax charge	26.b	**(63,995)**	(63,244)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		**625,570**	696,128
Weighted average number of ordinary outstanding shares (in thousands)		**119,558**	119,421
Basic and diluted earnings per share (Expressed in SR per Share)	34	**5.23**	5.83

Chairman

NADEEM ASHOOR

Director and Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021 SR'000	*2020 SR'000*
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**625,570**	696,128
Other comprehensive income		
Items that will not be reclassified to statement of income in subsequent years		
Re-measurement gains / (losses) on employees' EOSB	**7,535**	(20,700)
Items that are or may be reclassified to statement of income in subsequent years		
Net changes in fair value of available-for-sale investments:		
- related to shareholders	**61,785**	156,813
- related to policyholders	**(15,083)**	11,554
	46,702	168,367
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**679,807**	843,795

Chairman

Director and Chief Executive Officer

NADER ASHOOR

Director and Chief Financial Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Related to shareholders' operations									
2021	*Share capital SR'000*	*Statutory reserve SR'000*	*Share based payments reserve SR'000*	*Shares held under employees share scheme SR'000*	*Retained earnings SR'000*	*Re-measurement reserve of employees' EOSB SR'000*	*Investments fair value reserve - related to shareholders's operations SR'000*	*Total shareholders' operations equity SR'000*	*Investments fair value reserve - related to policyholders' operations SR'000*	*Total equity SR'000*
Balance at 1 January 2021	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853
Total comprehensive income for the year										
Net income for the year attributed to the shareholders after zakat and income tax	--	--	--	--	625,570	--	--	625,570	--	625,570
Re-measurement gains on employees' EOSB	--	--	--	--	--	7,535	--	7,535	--	7,535
Changes in fair value of Available-for-sale investments	--	--	--	--	--	--	61,785	61,785	(15,083)	46,702
Total comprehensive income for the year	--	--	--	--	625,570	7,535	61,785	694,890	(15,083)	679,807
Transfer to statutory reserves	--	125,114	--	--	(125,114)	--	--	--	--	--
Share based payment transactions	--	--	20,386	--	--	--	--	20,386	--	20,386
Delivery of shares under LTIP	--	--	(9,686)	9,686	--	--	--	--	--	--
Purchase of shares under LTIP	--	--	--	(14,263)	--	--	--	(14,263)	--	(14,263)
Dividends (note 39)	--	--	--	--	(408,000)	--	--	(408,000)	--	(408,000)
Income tax refundable from non-Saudi shareholders	--	--	--	--	14,241	--	--	14,241	--	14,241
Balance at 31 December 2021	1,200,000	992,210	43,500	(53,356)	1,790,700	(23,638)	236,633	4,186,049	8,975	4,195,024

Chairman

NADER ASHOOR

Director and Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2021

	Related to shareholders' operations									
2020	*Share capital SR'000*	*Statutory reserve SR'000*	*Share based payments reserve SR'000*	*Shares held under employees share scheme SR'000*	*Retained earnings SR'000*	*Re-measurement reserve of employees' EOSB SR'000*	*Investments fair value reserve - related to shareholders' operations SR'000*	*Total shareholders' operations equity SR'000*	*Investments fair value reserve – related to policyholders operations SR'000*	*Total equity SR'000*
Balance at 1 January 2020	1,200,000	727,871	25,525	(57,538)	1,128,973	(10,473)	18,035	3,032,393	12,504	3,044,897
Total comprehensive income for the year										
Net income for the year attributed to the shareholders after zakat and income tax	--	--	--	--	696,128	--	--	696,128	--	696,128
Re-measurement losses on employees' EOSB	--	--	--	--	--	(20,700)	--	(20,700)	--	(20,700)
Changes in fair value of Available-for-sale investments	--	--	--	--	--	--	156,813	156,813	11,554	168,367
Total comprehensive income for the year	--	--	--	--	696,128	(20,700)	156,813	832,241	11,554	843,795
Transfer to statutory reserves	--	139,225	--	--	(139,225)	--	--	--	--	--
Share based payment transactions	--	--	16,034	--	--	--	--	16,034	--	16,034
Delivery of shares under LTIP	--	--	(8,759)	8,759	--	--	--	--	--	--
Income tax refundable (to)/from non-Saudi shareholders	--	--	--	--	(1,873)	--	--	(1,873)	--	(1,873)
Balance at 31 December 2020	1,200,000	867,096	32,800	(48,779)	1,684,003	(31,173)	174,848	3,878,795	24,058	3,902,853

NADER ASHOOR

Chairman

Director and Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	**2021 SR'000**	*2020 SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders before zakat and income tax		**730,701**	823,669
Adjustments for non-cash items:			
Net income attributed to the insurance operations	20	**58,347**	80,141
Depreciation of fixtures, furniture		**15,216**	15,266
Amortisation of Right-of-use assets		**15,939**	16,241
Amortisation of intangible assets		**14,446**	15,731
Loss on disposal of Fixtures and Furniture		**2,521**	--
Provision for LTIP		**20,386**	16,034
Allowance for doubtful receivables		**22,458**	28,770
Unrealised gains on investments held as FVSI		**(2,643)**	(876)
Commission Income on Term Deposits		**(58,357)**	(120,178)
Provision for end-of-service benefits		**27,495**	27,294
Finance cost		**5,834**	5,244
Changes in operating assets and liabilities:			
Premiums receivable		**(463,715)**	340,564
Reinsurers' share of unearned premiums		**(7,827)**	517
Reinsurers' share of outstanding claims		**(5,732)**	(257)
Reinsurers' share of claims incurred but not reported		**(1,368)**	(2,489)
Deferred policy acquisition costs		**(132,828)**	65,808
Prepaid expenses and other assets		**(28,168)**	101,223
Accrued and other liabilities		**64,324**	182,092
Reinsurers' balances payable		**20,524**	(49,540)
Unearned premiums		**686,224**	(352,888)
Outstanding claims		**154,649**	(5,269)
Claims incurred but not reported		**35,594**	220,866
Premium deficiency reserve		**(189,149)**	263,751
Claims handling reserve		**1,042**	2,263
Due to related parties	24	**(60,557)**	27,800
		925,356	1,701,777
End-of-service benefits paid		**(7,686)**	(4,323)
Surplus paid to policyholders		**(68,678)**	(48,204)
Zakat and income tax paid		**(187,514)**	(92,776)
Net cash generated from operating activities		**661,478**	1,556,474
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits		**(2,213,328)**	(788,850)
Proceeds from maturity of term deposits		**1,974,512**	3,266,791
Additions to investments		**(15,166,118)**	(13,748,860)
Disposals of investments		**15,541,136**	9,729,489
Additions to Fixtures, Furniture		**(9,115)**	(11,840)
Disposal of Fixtures, Furniture		--	--
Intangible assets acquired		**(19,765)**	(21,444)
Net cash used in investing activities		**107,322**	(1,574,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(408,000)**	--
Purchase of shares under LTIP		**(14,263)**	--
Lease liability paid		**(19,030)**	(14,218)
Net cash used in financing activities		**(441,293)**	(14,218)
Net change in cash and cash equivalents		**327,507**	(32,458)
Cash and cash equivalents at beginning of the year		**633,251**	665,709
Cash and cash equivalents at end of the year		**960,758**	633,251
Non-cash transactions			
Movements in fair value reserve of available for sale investments		**(46,702)**	(168,367)
Transfer from WIP to Fixtures, Furniture / Intangible assets		**22,257**	22,653
Re-measurement gains / (losses) on employees' EOSB		**7,535**	(20,700)
Recognition of Right-of-use assets/ lease liability		**2,929**	54,245
Tax recoverable (to)/from non- Saudi shareholders		**14,241**	(1,873)

NADER ASHOOR

Chairman | Director and Chief Financial Officer | Director and Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

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

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

As required by the Saudi Arabian Insurance Regulations (The Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 36 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

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

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending on 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

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

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

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

ii) Impairment of receivables

A provision for impairment of receivables and reinsurance receivables is established when there is an 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 debtors, probability that the debtors will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

2. BASIS OF PREPARATION (continued)

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

iii) Deferred acquisition costs

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

iv) Useful lives of Fixtures, Furniture and Right-of-use assets

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

v) Fair value of financial instruments

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

vi) Impairment of available for sale investments

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

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

vii) Going concern

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

2. BASIS OF PREPARATION (continued)

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

viii) Impairment of Goodwill

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated in note 4. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

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

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 new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Company as explained below:

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2021 and accordingly adopted by the Company. The Company has assessed that the amendments have no significant impact on the Company's financial statements, as applicable:

Standard / Amendments	***Description***	***Effective date***
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 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 annual financial statements are listed below. The Company intends to adopt these standards when they become effective.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Standard, interpretation, amendments	***Description***	***Effective date***
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview

This standard which was 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:

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 2005, 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 consists of:
   - 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (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 statement of income. 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 statement of income 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; and
ii) 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, unless the Company chooses to recognise the payments as an expense. 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 effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. 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.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to apply 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 in accounting policies for insurance contracts together with amendments to presentation and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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 Company expects the implementation of IFRS 17 to have impact on the following areas:

Impact Area	Summary of Impact
Financial Impact	The financial impact of applying IFRS 17 compared to IFRS 4 was not significant based on the assessment conducted in 2020.
Data Impact	Management is assessing data storage and infrastructure considering systems interfaces and data integrity. However, management believes that the data impact is not likely to be significant.
IT Systems	Management is assessing the current IT systems and considering the migration to a new system in phases by utilizing the current system capabilities before the migration is carried out ensuring IFRS17 disclosure and reconciliation requirements are met.
Process Impact	The Company will need to establish new processes to ensure that required line items and additional breakdowns are fed into downstream systems to create the required presentations and disclosures.
Impact on RI Arrangements	The Company’s reinsurance arrangements are not material (less than 1% of GWP is reinsured). New/enhanced systems would be flexible to account for any changes in the Company’s reinsurance strategy.
Impact on Policies & Control Frameworks	The Company needs to update the actuarial and accounting policies and develop guidance papers; From governance perspective, management needs to make sure all IFRS17 key decisions and results are appropriately reviewed and signed off by the auditors, appointed actuary, audit committee as well as the board of directors and internal control functions.

IFRS 9 – Financial Instruments

Overview

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 statement of income. 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 classified through the statement of income 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 statement of income. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through statement of income if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Classification and measurement (continued)

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 statement of income.

Additionally, for financial liabilities that are designated as at fair value through statement of income, 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 statement of income.

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.

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 1 January 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 January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;

2) adopt IFRS 9 but, for designated financial assets, remove from statement of income 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Impact assessment

As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SR 9,298 million and SR 2,724 million, respectively. Financial assets mainly represent:

• Cash and cash equivalents,
• Held to maturity investments,
• Term deposits and designated sukuks amounting to SR 3,925 million (2020: SR 2,854 million).
• FVSI investments amounting to SR 3,258 million (2020: SR 3,695 million).
• Other financial assets, including available for sale investments amounting to SR 2,115 million (2020: SR 2,203 million).

The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets.

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

i) Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

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

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

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

ii) Cash and cash equivalents

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

iii) Premiums receivable

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

iv) Policy acquisition costs

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

v) Investments

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

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

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

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

vi) Term deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

vii) Fixtures and Furniture

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

	Years
Leasehold Improvements (civil, construction work and fixtures)	15 years or lease term
Fixtures, Furniture and Right-of-use assets	5 to 20
Computer and IT equipment and infra-structure	2.5 to 7
Motor vehicles	4

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

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

viii) Intangible assets

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

	Years
IT development and software	3 to 7

ix) Goodwill

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

x) Liability adequacy test

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

xi) Accounts payable and accruals

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xii) Provisions

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

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

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

xiv) Share based payments (LTIP)

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

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

The value of the shares repurchased, including costs associated with the acquisition, is recognized as a deduction from equity.

xv) Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi) Impairment of non-financial assets

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

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

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

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

xvii) De-recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xviii) Revenue recognition

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

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

xix) Reinsurance premiums (ceded)

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

xx) Claims

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

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

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.

xxi) Insurance contracts

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

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

xxii) Reinsurance contracts held

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxiii) Expenses

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

xxiv) Segment reporting

An operating segment is a component of an entity:

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

xxv) Leases

Right of Use Assets

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

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

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

The recognised Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvi) Zakat and income tax

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

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

Deferred Tax

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

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

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

xxvii) Foreign currencies

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

xxviii) Offsetting

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

xxix) Cash dividend to shareholders

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

xxx) Statutory reserve

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.

4. GOODWILL

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

The Company's management annually carry out impairment test in respect of the above-mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2021. The recoverable amount of operations has been determined based on value in use. The two key assumptions used in the test are the discount rate and estimated future cash flows from the business as follows:

- An average discount rate of 12% was used to discount future cash flows.
- EBTIDA growth rate of 3% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.
- A change in discount rate by +/- 300 basis point with other variables held constant would not result in impairment of goodwill.
- A change in growth rate by +/- 150 basis point with other variables held constant would not result in impairment of goodwill.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

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

	2020		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Bank balances	195,232	438,019	633,251
	195,232	438,019	633,251

The amount payable to / receivable from shareholders' operations is settled by transfer of cash at each reporting date.

During the year ended 31 December 2021, the insurance operations transferred cash of SR 435.3 million to the shareholders' operations (31 December 2020: SR 142 million).

6. PREMIUMS RECEIVABLE - NET

Receivable amounts are due from the following:

	2021 SR'000	*2020 SR'000*
Policyholders	**1,401,823**	1,159,253
Brokers	**590,833**	383,314
	1,992,656	1,542,567
Provision for doubtful receivables	**(231,356)**	(222,524)
Premiums receivable – net	**1,761,300**	1,320,043

6. PREMIUMS RECEIVABLE – NET (continued)

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

	2021 ***SR'000***	*2020* *SR'000*
Balance at the beginning of the year	**222,524**	197,187
Provision made during the year	**22,458**	28,770
Write-offs during the year	**(13,626)**	(3,433)
Balance at end of the year	**231,356**	222,524

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

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

	2020					
	Not past due	*Up to three months*	*Above three and up to six months*	*Above six and up to twelve months*	*Above twelve months*	
			SR'000			
Policyholders	389,768	481,842	89,359	14,213	1,835	977,017
Brokers	222,027	52,705	57,196	8,392	2,706	343,026
	611,795	534,547	146,555	22,605	4,541	1,320,043

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

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

The five largest customers account for 13.22% (31 December 2020: 18.8%) of the premiums receivable as at 31 December 2021.

7. INVESTMENTS

Investments are classified as follows:

	2021			*2020*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Held as FVSI	**1,808,199**	**1,449,736**	**3,257,935**	2,869,628	825,133	3,694,761
Available-for-sale	**691,230**	**1,423,358**	**2,114,588**	698,553	1,504,882	2,203,435
Held to maturity	**100,000**	**231,250**	**331,250**	--	131,250	131,250
	2,599,429	**3,104,344**	**5,703,773**	3,568,181	2,461,265	6,029,446

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

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

	2020				
	Insurance operations		*Shareholders' operations*		
	Domestic	*International*	*Domestic*	*International*	*Total*
			SR'000		
Sukuks	18,025	--	55,079	--	73,104
Funds	2,843,985	7,618	747,199	22,855	3,621,657
	2,862,010	7,618	802,278	22,855	3,694,761

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

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

7. INVESTMENTS (continued)

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

	2020				
	Insurance operations		*Shareholders' operations*		
	Domestic	*International*	*Domestic*	*International*	*Total*
			SR'000		
Sukuks	422,351	238,029	900,236	147,710	1,708,326
Funds	--	38,173	107,501	7,111	152,785
Equities	--	--	228,716	5,625	234,341
Investments in discretionary portfolios	--	--	107,983	--	107,983
	422,351	276,202	1,344,436	160,446	2,203,435

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

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

	2020				
	Insurance operations		*Shareholders' operations*		
	Domestic	*International*	*Domestic*	*International*	*Total*
			SR'000		
Sukuks	--	--	131,250	--	131,250
	--	--	131,250	--	131,250

The movements in the investments balance are as follows:

i. Held as FVSI

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

7. INVESTMENTS (continued)

i. Held as FVSI (continued)

	2020		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Balance at the beginning of the year	161,548	107,968	269,516
Purchases during the year	9,476,721	3,295,447	12,772,168
Disposals during the year	(6,769,701)	(2,578,100)	(9,347,801)
Unrealised gains/(losses) during the year, net	1,060	(182)	878
	2,869,628	825,133	3,694,761

ii. Available-for-sale investments

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

	2020		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Balance at the beginning of the year	564,003	876,063	1,440,066
Purchases during the year	289,000	687,693	976,693
Maturity during the year	(166,004)	(215,685)	(381,689)
Unrealised gains during the year, net	11,554	156,811	168,365
	698,553	1,504,882	2,203,435

iii. Held to maturity investments

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

7. INVESTMENTS (continued)

iii. Held to maturity investments (continued)

	2020		
	Insurance operations	*Shareholders' operations*	*Total*
		SR'000	
Balance at the beginning of the year	--	131,250	131,250
Purchases during the year	--	--	--
	--	131,250	131,250

8. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	2021			2020		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Prepayments	**54,034**	**--**	**54,034**	48,529	--	48,529
Accrued income	**7,635**	**13,256**	**20,891**	6,122	13,919	20,041
Other receivables	**38,329**	**--**	**38,329**	16,516	--	16,516
	99,998	**13,256**	**113,254**	71,167	13,919	85,086

9. TERM DEPOSITS

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominantly in Murabaha structure with a small allocation in Mudaraba structure. The term deposits are classified as held to maturity investments. They are mostly denominated in Saudi Arabian Riyals and have an original maturity of more than three months to more than one year (2020: three months to more than one year) and yield financial income at rates ranging from 0.95% to 4.30% per annum (2020: 1.2% to 4.30% per annum). The movements in term deposits during the year ended 31 December 2021 are as follows:

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

	2020		
	Insurance Operations	*Shareholders' operations*	*Total*
		SR'000	
Balance at beginning of the year	3,407,055	1,747,255	5,154,310
Matured during the year	(2,330,514)	(936,277)	(3,266,791)
Commission income earned during the year	79,901	40,277	120,178
Placed during the year	488,850	300,000	788,850
	1,645,292	1,151,255	2,796,547

10. FIXTURES, FURNITURE AND RIGHT OF USE ASSETS – net

10.1 FIXTURES, FURNITURE

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

	Office, furniture, and fixtures	*Computer equipment*	*Motor vehicles*	*Leasehold improvements*	*Capital work in progress*	*Total*
			2020 SR'000			
Cost:						
At 1 January 2020	85,828	46,167	404	41,039	6,699	180,137
Additions during the year	--	2,892	--	--	8,948	11,840
Transferred during the year	404	10,946	--	1,533	(12,883)	--
At 31 December 2020	86,232	60,005	404	42,572	2,764	191,977
Accumulated depreciation:						
At 1 January 2020	(57,194)	(35,703)	(60)	(5,361)	--	(98,318)
Charge for the year	(5,972)	(5,132)	(101)	(4,061)	--	(15,266)
At 31 December 2020	(63,166)	(40,835)	(161)	(9,422)	--	(113,584)
Net book value:						
At 31 December 2020	23,066	19,170	243	33,150	2,764	78,393

10.2 RIGHT-OF-USE ASSETS

The movement of Right-of-use assets are as follows:

	2021 SAR'000	*2020 SAR'000*
As at 1 January	**125,626**	87,622
Additions during the year	**2,929**	54,245
Amortisation during the year	**(15,939)**	(16,241)
As at 31 December	**112,616**	125,626

11. INTANGIBLE ASSETS

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

	Software	*Capital work in progress*	*Total*
		2020 SR'000	
Cost:			
At 1 January 2020	128,316	8,262	136,578
Additions during the year	1,453	19,991	21,444
Transfers during the year	9,769	(9,769)	--
At 31 December 2020	139,538	18,484	158,022
Accumulated amortisation:			
At 1 January 2020	(80,333)	--	(80,333)
Charge for the year	(15,731)	--	(15,731)
At 31 December 2020	(96,064)	--	(96,064)
Net book value:			
At 31 December 2020	43,474	18,484	61,958

12. STATUTORY DEPOSIT

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 120 million (2020: SR 120 million), in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA amounting to SR 14.9 million (2020: SR 13.8 million) and this deposit cannot be withdrawn without approval from SAMA.

13. TECHNICAL RESERVES

13.1 Movement in unearned premiums

Movements in unearned premiums are as follows:

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

	2020		
	Gross	*Reinsurance*	*Net*
		SR'000	
Balance at beginning of the year	4,376,219	(20,625)	4,355,594
Premium written/(ceded) during the year	10,447,353	(65,242)	10,382,111
Premium earned during the year	(10,800,241)	65,759	(10,734,482)
	4,023,331	(20,108)	4,003,223

13.2 Net outstanding claims and reserves

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

	2021 ***SR'000***	*2020* *SR'000*
Outstanding claims	**601,168**	446,519
Claims incurred but not reported	**1,413,888**	1,378,294
Premium deficiency reserve	**74,602**	263,751
Claims handling reserve	**21,797**	20,755
	2,111,455	2,109,319
Less:		
Reinsurers' share of outstanding claims	**(7,207)**	(1,475)
Reinsurers' share of claims incurred but not reported	**(7,829)**	(6,461)
	(15,036)	(7,936)
Net outstanding claims and reserve	**2,096,419**	2,101,383

14. DEFERRED POLICY ACQUISITION COSTS

	2021 ***SR'000***	*2020* *SR'000*
Balance at beginning of the year	**68,214**	134,022
Deferred during the year	**476,255**	564,926
Amortisation for the year	**(343,427)**	(630,734)
	201,042	68,214

15. CLAIMS DEVELOPMENT TABLE

The following table reflects the estimated ultimate claim cost, including claims notified and incurred but not reported for each successive treatment year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the 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 treatment years. In order to maintain adequate reserves, the Company transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. By end of 2020, incurred claims were less than anticipated as the expected deferred claims from the lockdown period were deferred further to the following year, which resulted in a favourable claims experience and the release of reserves in 2021 against the surge in claims observed in the second half of the year.

Treatment year – gross outstanding claims	**2018 and prior**	**2019**	**2020**	**2021**	**Total**
SR '000					
Estimate of ultimate claims cost:					
At the end of treatment year	**33,980,026**	**7,842,155**	**8,742,056**	**9,775,177**	**60,339,414**
One year later	**33,876,622**	**7,841,118**	**8,048,412**	**-**	**49,766,152**
Two years later	**33,905,075**	**7,847,016**	**-**	**-**	**41,752,091**
Three years later	**33,909,347**	**-**	**-**	**-**	**33,909,347**
Current estimate of ultimate claims	**33,909,347**	**7,847,016**	**8,048,412**	**9,775,177**	**59,579,952**
Ultimate payments to date	**33,892,979**	**7,841,124**	**8,037,277**	**7,793,516**	**57,564,896**
Liability recognized in the statement of financial position	**16,368**	**5,892**	**11,135**	**1,981,661**	**2,015,056**
Premium deficiency reserve					**74,602**
Claims handling provision					**21,797**
Balance at 31 December					**2,111,455**

Treatment year – net outstanding claims					
SR '000					
Estimate of ultimate claims cost:					
At the end of treatment year	**33,789,144**	**7,768,195**	**8,693,491**	**9,708,417**	**59,959,247**
One year later	**33,678,799**	**7,765,376**	**7,997,356**	**-**	**49,441,531**
Two years later	**33,707,296**	**7,767,317**	**-**	**-**	**41,474,613**
Three years later	**33,711,162**	**-**	**-**	**-**	**33,711,162**
Current estimate of ultimate claims	**33,711,162**	**7,767,317**	**7,997,356**	**9,708,417**	**59,184,252**
Ultimate payments to date	**33,694,815**	**7,761,430**	**7,986,510**	**7,741,477**	**57,184,232**
Liability recognized in the statement of financial position	**16,347**	**5,887**	**10,846**	**1,966,940**	**2,000,020**
Premium deficiency Reserve					**74,602**
Claims handling provision					**21,797**
Balance at 31 December					**2,096,419**

16. FIDUCIARY ASSETS

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

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the reporting date, are excluded from the statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 260 million as of 31 December 2021 (2020: SR 317.1 million).

17. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

i) The Company is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as at 31 December 2021.
ii) As of 31 December 2021, total Letters of Guarantee issued by banks amounted to SR 128 million (2020: SR 138 million).

18. ACCRUED AND OTHER LIABILITIES

18.1 Accrued and other liabilities comprise of the following:

	2021			*2020*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Accrued expenses	**200,249**	**6,863**	**207,112**	282,902	6,249	289,151
VAT payable	**85,516**	**--**	**85,516**	23,254	--	23,254
Advances from policyholders	**80,578**	**--**	**80,578**	52,583	--	52,583
VAT payable to providers	**170,708**	**--**	**170,708**	121,595	--	121,595
Other liabilities	**60,860**	**--**	**60,860**	53,867	--	53,867
	597,911	**6,863**	**604,774**	534,201	6,249	540,450

18.2 Lease liability

As of 31 December 2021, lease liability amounted SAR 125.3 million (2020: SR 135.6 million). Below is the movement during the year:

	2021 SR'000	*2020 SR'000*
Balance at the beginning of the year	**135,600**	90,329
Finance cost	**5,834**	5,244
Additions during the year	**2,929**	54,245
Lease settlement	**(19,030)**	(14,218)
	125,333	135,600

19. TRADEMARK FEES

During 2010, the Company entered into an agreement with a related party (a Group Company) for obtaining a license to use the trademark (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trademark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year. Accordingly, a sum of SR 26.6 million (2020: SR 26.9 million) payable to a related party has been accrued for during the year (see notes 24 and 32).

20. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2021 SR'000	*2020 SR'000*
Balance at the beginning of the year	**200,391**	168,454
Income attributable to insurance operations during the year	**58,347**	80,141
Surplus paid to policyholders during the year	**(68,678)**	(48,204)
Net surplus payable to policyholders	**190,060**	200,391

21. EMPLOYEES' END OF SERVICE BENEFITS

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

21.1 Movement of end-of-service benefits

	2021	*2020*
	SR'000	*SR'000*
Balance at the beginning of the year	**140,012**	96,341
Current service costs	**24,251**	23,163
Finance costs	**3,244**	4,131
Actuarial (gains)/losses	**(7,535)**	20,700
Benefits paid during the year	**(7,686)**	(4,323)
Balance at the end of the year	**152,286**	140,012

21.2 Principal actuarial assumptions

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

	2021	*2020*
Valuation discount rate	**2.65%**	2.45%
Expected rate of increase in salary level across different age bands	**4.5%**	4.5%
Employee turnover rate	**13%**	11%
Mortality rate	**0.06%**	0.06%

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

	2021	*2020*
	SR'000	*SR'000*
Valuation discount rate		
- Increase by 0.5%	**6,883**	6,521
- Decrease by 0.5%	**(7,423)**	(7,046)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**(15,046)**	(14,259)
- Decrease by 1%	**13,216**	12,482
Mortality rate		
- Increase by 50%	**(66)**	(74)
- Decrease by 50%	**66**	74
Employee turnover		
- Increase by 20%	**3,322**	3,501
- Decrease by 20%	**(3,427)**	(3,634)

The average duration of the employees' end-of-service benefits at the end of the reporting period is 10.6 years, (2020: 10.9 years)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

a) Determination of fair value and fair value hierarchy

The 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.

b) Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. There were no transfers in between levels during the years ended December 31, 2021 and 2020.

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

	Fair value				
	Level 1	*Level 2*	*Level 3*	*Total*	*Carrying value*
			SR'000		
2020					
Financial assets measured at fair value					
- Investments held as FVSI	--	3,694,761	--	3,694,761	3,694,761
- Available for sale investments	1,404,736	793,074	5,625	2,203,435	2,203,435
	1,404,736	4,487,835	5,625	5,898,196	5,898,196

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2021 and 31 December 2020, as well as the significant unobservable inputs used.

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

23. OPERATING SEGMENTS

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

Operating segments do not include shareholders’ operations of the Company.

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

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

23. OPERATING SEGMENTS (continued)

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

	31 December 2021				
	Insurance operations				
Operating segments	*Major customers*	*Non-major customers*	*Total - Insurance operations*	*Shareholders' operations*	*Total*
		SR'000		*SR'000*	*SR'000*
ASSETS					
Premiums receivable – net	**1,034,713**	**726,587**	**1,761,300**	**--**	**1,761,300**
Reinsurers' share of unearned premiums	**15,353**	**12,582**	**27,935**	**--**	**27,935**
Reinsurers' share of outstanding claims	**2,560**	**4,647**	**7,207**	**--**	**7,207**
Reinsurers' share of claims incurred but not reported	**2,623**	**5,206**	**7,829**	**--**	**7,829**
Deferred policy acquisition costs	**114,645**	**86,397**	**201,042**	**--**	**201,042**
Unallocated assets			**5,638,040**	**4,755,749**	**10,393,789**
Total assets			**7,643,353**	**4,755,749**	**12,399,102**
LIABILITIES					
Unearned premiums	**2,588,246**	**2,121,309**	**4,709,555**	**--**	**4,709,555**
Outstanding claims	**425,245**	**175,923**	**601,168**	**--**	**601,168**
Claims incurred but not reported	**1,000,536**	**413,352**	**1,413,888**	**--**	**1,413,888**
Premium deficiency reserve	**40,999**	**33,603**	**74,602**	**--**	**74,602**
Claims handling reserve	**15,421**	**6,376**	**21,797**	**--**	**21,797**
Unallocated liabilities			**813,368**	**569,700**	**1,383,068**
Total liabilities			**7,634,378**	**569,700**	**8,204,078**

	31 December 2020				
	Insurance operations				
Operating segments	*Major customers*	*Non-major customers*	*Total - Insurance operations*	*Shareholders' operations*	*Total*
		SR'000		*SR'000*	*SR'000*
ASSETS					
Premiums receivable – net	775,488	544,555	1,320,043	--	1,320,043
Reinsurers' share of unearned premiums	11,759	8,349	20,108	--	20,108
Reinsurers' share of outstanding claims	490	985	1,475	--	1,475
Reinsurers' share of claims incurred but not reported	1,959	4,502	6,461	--	6,461
Deferred policy acquisition costs	28,520	39,694	68,214	--	68,214
Unallocated assets			5,479,872	4,600,182	10,080,054
Total assets			6,896,173	4,600,182	11,496,355
LIABILITIES					
Unearned premiums	2,352,884	1,670,447	4,023,331	--	4,023,331
Outstanding claims	319,669	126,850	446,519	--	446,519
Claims incurred but not reported	988,089	390,205	1,378,294	--	1,378,294
Premium deficiency Reserve	189,017	74,734	263,751	--	263,751
Claims handling reserve	14,869	5,886	20,755	--	20,755
Unallocated liabilities			739,465	721,387	1,460,852
Total liabilities			6,872,115	721,387	7,593,502

23. OPERATING SEGMENTS (continued)

	2021		
Operating segments	*Major customers*	*Non-major customers*	*Total*
		SR'000	
REVENUES			
Gross premiums written	**7,428,502**	**3,953,692**	**11,382,194**
Reinsurance premiums ceded – Local	**(3,286)**	**(2,059)**	**(5,345)**
Reinsurance premiums ceded – International	**(49,629)**	**(31,108)**	**(80,737)**
Net premiums written	**7,375,587**	**3,920,525**	**11,296,112**
Changes in unearned premiums – net	**(231,768)**	**(446,629)**	**(678,397)**
Net premiums earned	**7,143,819**	**3,473,896**	**10,617,715**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	**(6,420,918)**	**(2,653,008)**	**(9,073,926)**
Reinsurers' share of claims paid	**15,879**	**6,514**	**22,393**
Net claims paid	**(6,405,039)**	**(2,646,494)**	**(9,051,533)**
Changes in outstanding claims	**(105,576)**	**(49,073)**	**(154,649)**
Changes in claims incurred but not reported	**(12,447)**	**(23,147)**	**(35,594)**
Changes in premium deficiency reserve	**148,018**	**41,131**	**189,149**
Changes in claims handling reserves	**(552)**	**(490)**	**(1,042)**
Reinsurance share of changes in outstanding claims	**2,070**	**3,662**	**5,732**
Reinsurance share of changes in claims incurred but not reported	**664**	**704**	**1,368**
Net claims incurred	**(6,372,862)**	**(2,673,707)**	**(9,046,569)**
Policy acquisition costs	**(206,056)**	**(137,371)**	**(343,427)**
Total underwriting costs & expenses	**(6,578,918)**	**(2,811,078)**	**(9,389,996)**
NET UNDERWRITING INCOME	**564,901**	**662,818**	**1,227,719**
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			**(22,458)**
Unallocated income			**298,027**
Unallocated expenses			**(714,240)**
Total other operating (expenses)/income			**(438,671)**
Income before surplus, zakat & income tax			**789,048**
Income attributed to the insurance operations (transfer to surplus payable)			**(58,347)**
Income attributed to the shareholders before zakat and income tax			**730,701**
Zakat charge			**(41,136)**
Income tax charge			**(63,995)**
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			**625,570**

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

23. OPERATING SEGMENTS (continued)

	2020		
Operating segments	*Major customers*	*Non-major customers*	*Total*
		SR'000	
REVENUES			
Gross premiums written	6,972,563	3,474,790	10,447,353
Reinsurance premiums ceded – Local	(3,691)	(2,262)	(5,953)
Reinsurance premiums ceded – International	(36,756)	(22,533)	(59,289)
Net premiums written	6,932,116	3,449,995	10,382,111
Changes in unearned premiums – net	365,443	(13,072)	352,371
Net premiums earned	7,297,559	3,436,923	10,734,482
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(5,878,457)	(2,383,593)	(8,262,050)
Reinsurers' share of claims paid	14,902	6,085	20,987
Net claims paid	(5,863,555)	(2,377,508)	(8,241,063)
Changes in outstanding claims	7,872	(2,603)	5,269
Changes in claims incurred but not reported	(142,227)	(78,639)	(220,866)
Changes in premium deficiency reserve	(189,017)	(74,734)	(263,751)
Changes in claims handling reserves	(1,409)	(854)	(2,263)
Reinsurance share of changes in outstanding claims	(36)	293	257
Reinsurance share of changes in claims incurred but not reported	746	1,743	2,489
Net claims incurred	(6,187,626)	(2,532,302)	(8,719,928)
Policy acquisition costs	(378,440)	(252,294)	(630,734)
Total underwriting costs & expenses	(6,566,066)	(2,784,596)	(9,350,662)
NET UNDERWRITING INCOME	731,493	652,327	1,383,820
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful receivables			(28,770)
Unallocated income			240,776
Unallocated expenses			(692,016)
Total other operating (expenses)/income			(480,010)
Income before surplus, zakat & income tax			903,810
Income attributed to the insurance operations (transfer to surplus payable)			(80,141)
Income attributed to the shareholders before zakat and income tax			823,669
Zakat charge			(64,297)
Income tax charge			(63,244)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX			696,128

Gross Written Premium details	*2020*
	SAR'000
Corporates	7,904,182
Medium Enterprises	1,770,054
Small Enterprises	695,395
Micro Enterprises	62,104
Individuals	15,618
Total	10,447,353

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board members 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. Contract pricing policies and terms are conducted on an arm's length basis and transactions approved by the Company's management, or where required and applicable the Company's Board of Directors. The following are the details of the major related party transactions during the year and their related balances:

Related party	*Nature of transaction*	*Amount of transactions during the year*		*Receivable/(payable) balance as at*	
		2021	*2020*	***2021***	*2020*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Shareholders and others	Insurance premium written	**215,821**	392,020	**2,726****	(536)**
Shareholders	Reinsurance Premium ceded	**(59,358)**	(41,431)	**(19,672)***	(79,803)*
Shareholders and others	Claims paid	**196,241**	274,591	**(17,289)*****	(20,997)***
Shareholders	Medical costs charged by providers	**179,055**	140,333	**(19,696)*****	(15,303)***
Shareholders	Expenses charged to/ (from) a related party-net	**659**	869	**1,024***	966*
Shareholders	Tax equalisation – net	**14,241**	(1,873)	**12,369***	(1,873)*
Shareholders	Board and committee member remuneration fees	**833**	915	**(833)***	(915)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trademark fee (note19)	**26,611**	26,896	**(26,611)***	(26,896)*

* Amounts due to related parties amounted to **SR 33,723** thousand (2020: SR 108,521 thousand).
** Amounts included in premium receivables (note 6).
*** Amounts are included in the outstanding claims.

a. Compensation to key management personnel:

	2021	*2020*
	SAR'000	*SAR'000*
Salaries and allowances (note (a) below)	**17,481**	17,836
Incentives (note (b) below)	**25,884**	17,208
End of Service benefits	**1,095**	1,088
	44,460	36,132

a) Includes the members' direct salary related expenses, other than the incentives' and EOS expenses.
b) Includes the costs of the bonuses and the long term incentive plan.

24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

b. Board of Directors' remuneration and related expenses

	2021 SAR'000	*2020 SAR'000*
Board of Directors' remuneration	**3,648**	3,600
Board attendance fees	**460**	300
Other board and sub-committees' expenses	**1,358**	1,377
	5,466	5,277

25. REINSURERS' BALANCE PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 25.4 million (2020: SR 4.9 million), for the excess of loss (XOL) reinsurance contract.

26. ZAKAT AND INCOME TAX

a) Zakat

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

The Zakat provision for the year is based on the following:

	2021 SR'000	*2020 SR'000*
Share capital (attributable to Saudi shareholders)	**681,000**	712,869
Opening retained earnings, reserve and surplus	**1,309,570**	1,189,671
Opening provisions	**313,440**	389,301
Adjusted net income	**445,353**	519,284
Fixtures, Furniture, Right-of-use assets and goodwill	**(201,490)**	(211,407)
Investments	**(5,276,549)**	(5,203,315)
Zakat Base	**(2,728,676)**	(2,603,597)
Adjusted net income attributable to Saudi shareholders and the general public (refer (*) below)	**445,353**	519,284

*Adjusted net income has been computed on a pro-rata basis taking into consideration before and after shareholding change.

The differences between the accounting profit and the Zakat base are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The Zakat charge relating to the Saudi shareholders consists of:

	2021 SR'000	*2020 SR'000*
Provision for zakat	**65,333**	64,297
Adjustment for prior years	**(24,197)**	--
	41,136	64,297

26. ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

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

	2021 ***SR'000***	*2020* *SR'000*
Balance at beginning of the year	**285,448**	232,444
Charge for the year	**41,136**	64,297
Payments made during the year	**(123,764)**	(11,293)
	202,820	285,448

b) Income Tax

	2021 ***SR'000***	*2020* *SR'000*
Current tax charge	**65,789**	70,969
Deferred tax income	**(1,794)**	(7,725)
	63,995	63,244

The reconciliation of deferred tax is as follows:

	2021 ***SR'000***	*2020* *SR'000*
Opening deferred tax asset	**37,941**	30,216
Deferred tax income	**1,794**	7,725
	39,735	37,941

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

	2021 ***SR'000***	*2020* *SR'000*
Balance at beginning of the year	**31,751**	42,265
Charge for the year	**65,789**	70,969
Payments made during the year	**(63,750)**	(81,483)
	33,790	31,751

c) Provision for zakat and income tax

	2021 ***SR'000***	*2020* *SR'000*
Zakat payable (note (a) above)	**202,820**	285,448
Income tax payable (note (b) above)	**33,790**	31,751
	236,610	317,199

26. ZAKAT AND INCOME TAX (continued)

d) Status of assessment

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2020 with the Zakat, Tax and Custom Authority ("ZATCA"). The Company has received assessments for the fiscal periods 2008 through 2018 of additional zakat, corporate income tax and withholding tax in addition to delay fines on various assessed items.

In February 2021, the Company reached a settlement with ZATCA on all zakat, corporate income tax and withholding tax for the years 2008 through 2016 and 2018. All settled liabilities were provided for previously in respective year, and, hence, there is no significant financial impact on the Company. For the year 2017 assessments, the Company has escalated the matter to the General Secretariat of Tax Committees (the "GSTC") and their review is awaited.

27. SHARE CAPITAL

The authorised, issued and paid-up capital of the Company is SR 1,200 million at 31 December 2021 (31 December 2020: SR 1,200 million) consisting of 120 million shares (31 December 2020: 120 million shares) of SR 10 each.

The shareholding structure of the Company is as below:

	2021		*2020*	
	Holding Percentage	***SR'000***	*Holding Percentage*	*SR'000*
Major shareholders	**52.3%**	**628,066**	52.3%	628,066
General Public	**47.7%**	**571,934**	47.7%	571,934
	100.0%	**1,200,000**	100.0%	1,200,000

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

	2021		*2020*	
	Holding Percentage	***SR'000***	*Holding Percentage*	*SR'000*
Bupa Investment Oversees	**43.25%**	**519,000**	43.25%	519,000
Nazer Group	**9.05%**	**109,066**	9.05%	109,066
	52.30%	**628,066**	52.30%	628,066

28. STATUTORY RESERVE

As required by the Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company carries out this transfer on an annual basis at 31 December. As at 31 December 2021, SR 992.2 million (31 December 2020: SR 867.1 million) had been set aside as a statutory reserve, representing 82% (31 December 2020: 72%) of the paid-up share capital.

29. SHARE BASED PAYMENTS

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

Maturity dates	Between March 2022 and March 2024
Total number of shares granted on the grant date	497,769
Vesting period	3-4 years
Method of settlement	Equity
Fair value per share on grant date	Average SAR 105.86

30. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders. Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise 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 the risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. Total capital amounted to SR 4,186,049 (31 December 2020: SR 3,878,795).

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

31. GENERAL AND ADMINISTRATIVE EXPENSES

	2021			*2020*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Employees' costs	**418,898**	**--**	**418,898**	393,903	--	393,903
Rents and maintenance costs	**60,171**	**--**	**60,171**	51,377	--	51,377
Travelling expenses	**5,230**	**--**	**5,230**	4,192	--	4,192
Depreciation and amortisation	**45,601**	**--**	**45,601**	47,238	--	47,238
Communication expenses	**12,696**	**--**	**12,696**	11,151	--	11,151
Board expenses	**--**	**5,466**	**5,466**	--	5,277	5,277
Legal and Professional Fees	**35,299**	**--**	**35,299**	25,246	225	25,471
Others	**8,109**	**7,124**	**15,233**	32,092	14,848	46,940
	586,004	**12,590**	**598,594**	565,199	20,350	585,549

32. SELLING AND MARKETING EXPENSES

	2021 SR'000	*2020 SR'000*
Employees' costs	**51,508**	47,875
Marketing expenses	**32,255**	24,816
Trade mark fee (see note 19)	**26,611**	26,896
Others	**5,272**	6,880
	115,646	106,467

33. INVESTMENT INCOME, NET

	2021			*2020*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
			SR'000			
Commission income on held to maturity investments	**35,355**	**35,040**	**70,395**	79,098	45,537	124,635
Commission and dividend income on available for sale investments	**22,923**	**81,606**	**104,529**	19,644	50,894	70,538
Commission income on FVSI investments – net	**15,853**	**8,182**	**24,035**	10,818	6,476	17,294
Realised gains/(losses) on investment - net	**8,182**	**50,654**	**58,836**	11,170	(11,218)	(48)
Unrealised gains on FVSI investments - net	**2,530**	**112**	**2,642**	1,058	(182)	876
	84,843	**175,594**	**260,437**	121,788	91,507	213,295

34. EARNINGS PER SHARE

The basic and diluted earnings per share has been calculated by dividing net income after zakat and tax for the year by the weighted average number of ordinary shares issued and outstanding at year end.

35. RISK MANAGEMENT

a) Insurance risk

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

The Company has a reinsurance arrangement to reduce its exposure through transfer of risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis.

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

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

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

35. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

ii) Concentration of insurance risk

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

iii) Process used to decide on assumptions

The pricing team follows the Company's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

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

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

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

iv) Sensitivity analysis

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

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

	2021 SR'000	*2020 SR'000*
Impact of change in claims ratio by 5%	**±530,885**	± 536,724

35. RISK MANAGEMENT (continued)

b) Reinsurance risk

The Company has a reinsurance arrangement to reduce its exposure through transfer of insurance risk. The reinsurance agreement is an excess of loss treaty per person per claim on losses occurring basis. Such arrangement protects the Company from large claims with a reasonable ceded premium given the stable underwriting performance and the size of the insurance portfolio.

The Reinsurers are selected based on the following criteria:
- All reinsurers should meet SAMA's minimum acceptable rating of BBB (S&P Rating).
- The reinsurers' panel and the agreement should be reviewed and approved by the Company's Board of Directors.

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

c) Market risk

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

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

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

i) Interest rate risk

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

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

	2021				
	Less than 3 months	*3 months to 1 year*	*More than 1 year to 3 years*	*More than 3 years*	*Total*
			SR'000		
Term deposits	**200,000**	**1,424,328**	**1,293,118**	**150,000**	**3,067,446**
Investments in Sukuk - AFS	**103,891**	**10,121**	**300,975**	**1,138,522**	**1,553,509**
Investments in Sukuk - FVSI	**26,000**	**--**	**18,000**	**29,059**	**73,059**
Investments in Sukuk - HTM	**--**	**--**	**--**	**331,250**	**331,250**
	329,891	**1,434,449**	**1,612,093**	**1,648,831**	**5,025,264**

35. RISK MANAGEMENT (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

	2020				
	Less than 3 months	*3 months to 1 year*	*1 year to 3 years*	*More than 3 years*	*Total*
			SR'000		
Term deposits	668,555	1,011,500	650,094	393,024	2,723,173
Investments in Sukuk - AFS	125,000	88,089	306,472	1,188,765	1,708,326
Investments in Sukuk - FVSI	--	26,000	--	47,104	73,104
Investments in Sukuk - HTM	--	--	--	131,250	131,250
	793,555	1,125,589	956,566	1,760,143	4,635,853

ii) Price risk

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

The total size of investments which are exposed to market price risk is SR 5,704 million (2020: SR 6,029 million). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

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

	Fair value change	**Effect on Company's profit SR'000**
2021	**± 10%**	**± 32,586**
2020	± 10%	± 22,378

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

iii) Currency risk

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

d) Credit risk

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

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

35. RISK MANAGEMENT (continued)

d) Credit risk (continued)

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

	2021	*2020*
	SR'000	*SR'000*
Cash and cash equivalents	**960,758**	633,251
Premiums receivable – net	**1,761,300**	1,320,043
Reinsurers' share of outstanding claims	**7,207**	1,475
Reinsurers' share of claims incurred but not reported	**7,829**	6,461
Investments	**1,957,818**	1,912,680
Other receivables	**85,885**	109,931
Term deposits	**3,093,720**	2,796,547
Statutory deposit	**120,000**	120,000
Accrued income on statutory deposit	**14,885**	13,806
	8,009,402	6,914,194

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 ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2021			
		Non-investment grade		
	Investment grade	***Not impaired***	***Impaired***	***Total***
	SR'000			
Cash and cash equivalents	**960,758**	**--**	**--**	**960,758**
Premiums receivable – net	**1,761,300**	**--**	**--**	**1,761,300**
Reinsurers' share of outstanding claims	**7,207**	**--**	**--**	**7,207**
Reinsurers' share of claims Incurred but not reported	**7,829**	**--**	**--**	**7,829**
Investments	**1,957,818**	**--**	**--**	**1,957,818**
Other receivables	**85,885**	**--**	**--**	**85,885**
Term deposits	**3,093,720**	**--**	**--**	**3,093,720**
Statutory deposit	**120,000**	**--**	**--**	**120,000**
Accrued income on statutory deposit	**14,885**	**--**	**--**	**14,885**
	8,009,402	**--**	**--**	**8,009,402**

	2020			
		Non-investment grade		
	Investment grade	*Not impaired*	*Impaired*	*Total*
	SR'000			
Cash and cash equivalents	633,251	--	--	633,251
Premiums receivable – net	1,320,043	--	--	1,320,043
Reinsurers' share of outstanding claims	1,475	--	--	1,475
Reinsurers' share of claims Incurred but not reported	6,461	--	--	6,461
Investments	1,912,680	--	--	1,912,680
Other receivables	109,931	--	--	109,931
Term deposits	2,796,547	--	--	2,796,547
Statutory deposit	120,000	--	--	120,000
Accrued income on statutory deposit	13,806	--	--	13,806
	6,914,194	--	--	6,914,194

35. RISK MANAGEMENT (continued)

e) Liquidity risk

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

Unearned premiums 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:

	2021		
	Up to one year	***More than one year***	***Total***
	SR'000		
Accrued and other liabilities	**604,774**	**--**	**604,774**
Lease liability	**--**	**125,333**	**125,333**
Insurance operations' surplus payable	**190,060**	**--**	**190,060**
Reinsurers' balances payable	**25,397**	**--**	**25,397**
Outstanding claims	**601,168**	**--**	**601,168**
Claims incurred but not reported	**1,413,888**	**--**	**1,413,888**
Premium deficiency reserve	**74,602**	**--**	**74,602**
Claims handling reserve	**21,797**	**--**	**21,797**
Due to related parties	**33,723**	**--**	**33,723**
Accrued income payable to SAMA	**--**	**14,885**	**14,885**
	2,965,409	**140,218**	**3,105,627**

	2020		
	Up to one year	*More than one year*	*Total*
	SR'000		
Accrued and other liabilities	540,450	--	540,450
Lease liability	--	135,600	135,600
Insurance operations' surplus payable	200,391	--	200,391
Reinsurers' balances payable	4,873	--	4,873
Outstanding claims	446,519	--	446,519
Claims incurred but not reported	1,378,294	--	1,378,294
Premium deficiency Reserve	263,751	--	263,751
Claims handling reserve	20,755	--	20,755
Due to related parties	108,521	--	108,521
Accrued income payable to SAMA	--	13,806	13,806
	2,963,554	149,406	3,112,960

f) Liquidity profile

All assets excluding investments, Fixtures, Furniture and Right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit, are expected to be recovered or settled before one year. Term deposits amounting to SR 2,124 million (31 December 2020: SR 1,680 million) mature within one year and the remaining balance have maturities greater than one year.

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

35. RISK MANAGEMENT (continued)

g) Operation risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company’s operations either internally within the Company or externally at the Company’s service providers, and from factors other than credit, market and liquidity risks such as those arising from regulatory requirements. Operational risks arise from all of the 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, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

36. SUPPLEMENTARY INFORMATION

Statement of Financial Position

	2021			*2020*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
ASSETS						
Cash and cash equivalents	**930,691**	**30,067**	**960,758**	195,232	438,019	633,251
Premiums receivables – net	**1,761,300**	**--**	**1,761,300**	1,320,043	--	1,320,043
Reinsurers' share of unearned premiums	**27,935**	**--**	**27,935**	20,108	--	20,108
Reinsurers' share of outstanding claims	**7,207**	**--**	**7,207**	1,475	--	1,475
Reinsurers' share of claims Incurred but not reported	**7,829**	**--**	**7,829**	6,461	--	6,461
Deferred policy acquisition costs	**201,042**	**--**	**201,042**	68,214	--	68,214
Investments	**2,599,429**	**3,104,344**	**5,703,773**	3,568,181	2,461,265	6,029,446
Prepaid expenses and other assets	**99,998**	**13,256**	**113,254**	71,167	13,919	85,086
Term deposits	**2,007,922**	**1,085,798**	**3,093,720**	1,645,292	1,151,255	2,796,547
Fixtures, Furniture – net	**--**	**69,771**	**69,771**	--	78,393	78,393
Right-of-use assets – net	**--**	**112,616**	**112,616**	--	125,626	125,626
Intangible assets – net	**--**	**67,277**	**67,277**	--	61,958	61,958
Deferred tax asset	**--**	**39,735**	**39,735**	--	37,941	37,941
Goodwill	**--**	**98,000**	**98,000**	--	98,000	98,000
Statutory deposit	**--**	**120,000**	**120,000**	--	120,000	120,000
Accrued income on statutory deposit	**--**	**14,885**	**14,885**	--	13,806	13,806
TOTAL ASSETS	**7,643,353**	**4,755,749**	**12,399,102**	6,896,173	4,600,182	11,496,355

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Financial Position (continued)

	2021			2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Accrued and other liabilities	597,911	6,863	604,774	534,201	6,249	540,450
Lease liability	--	125,333	125,333	--	١٣٥,600	١٣٥,600
Insurance operations' surplus payable	190,060	--	190,060	200,391	--	200,391
Reinsurers' balances payable	25,397	--	25,397	4,873	--	4,873
Unearned premiums	4,709,555	--	4,709,555	4,023,331	--	4,023,331
Outstanding claims	601,168	--	601,168	446,519	--	446,519
Claims incurred but not reported	1,413,888	--	1,413,888	1,378,294	--	1,378,294
Premium deficiency reserve	74,602	--	74,602	263,751	--	263,751
Claims handling reserve	21,797	--	21,797	20,755	--	20,755
Due to related parties	--	33,723	33,723	--	108,521	108,521
Provision for end-of-service benefits (EOSB)	--	152,286	152,286	--	140,012	140,012
Provision for zakat and income tax	--	236,610	236,610	--	317,199	317,199
Accrued income payable to SAMA	--	14,885	14,885	--	13,806	13,806
TOTAL LIABILITIES	7,634,378	569,700	8,204,078	6,872,115	721,387	7,593,502
EQUITY						
Share capital	--	1,200,000	1,200,000	--	1,200,000	1,200,000
Statutory reserve	--	992,210	992,210	--	867,096	867,096
Share based payments reserve	--	43,500	43,500	--	32,800	32,800
Shares held under employees share scheme	--	(53,356)	(53,356)	--	(48,779)	(48,779)
Retained earnings	--	1,790,700	1,790,700	--	1,684,003	1,684,003
Re-measurement reserve of end-of-service benefits	--	(23,638)	(23,638)	--	(31,173)	(31,173)
Investments fair value reserve	8,975	236,633	245,608	24,058	174,848	198,906
TOTAL EQUITY	8,975	4,186,049	4,195,024	24,058	3,878,795	3,902,853
TOTAL LIABILITIES AND EQUITY	7,643,353	4,755,749	12,399,102	6,896,173	4,600,182	11,496,355

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Income

	2021			2020		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
REVENUES						
Gross premiums written	**11,382,194**	**--**	**11,382,194**	10,447,353	--	10,447,353
Reinsurance premiums ceded – Local	**(5,345)**	**--**	**(5,345)**	(5,953)	--	(5,953)
Reinsurance premiums ceded – International	**(80,737)**	**--**	**(80,737)**	(59,289)	--	(59,289)
Net premiums written	**11,296,112**	**--**	**11,296,112**	10,382,111	--	10,382,111
Changes in unearned premiums – net	**(678,397)**	**--**	**(678,397)**	352,371	--	352,371
Net premiums earned	**10,617,715**	**--**	**10,617,715**	10,734,482	--	10,734,482
UNDERWRITING COSTS & EXPENSES						
Gross claims paid	**(9,073,926)**	**--**	**(9,073,926)**	(8,262,050)	--	(8,262,050)
Reinsurers' share of claims paid	**22,393**	**--**	**22,393**	20,987	--	20,987
Net claims paid	**(9,051,533)**	**--**	**(9,051,533)**	(8,241,063)	--	(8,241,063)
Changes in outstanding claims	**(154,649)**	**--**	**(154,649)**	5,269	--	5,269
Changes in claims incurred but not reported	**(35,594)**	**--**	**(35,594)**	(220,866)	--	(220,866)
Changes in Premium deficiency Reserve	**189,149**	**--**	**189,149**	(263,751)	--	(263,751)
Changes in claims handling reserves	**(1,042)**	**--**	**(1,042)**	(2,263)	--	(2,263)
Reinsurance share of changes in outstanding claims	**5,732**	**--**	**5,732**	257	--	257
Reinsurance share of changes in claims incurred but not reported	**1,368**	**--**	**1,368**	2,489	--	2,489
Net claims incurred	**(9,046,569)**	**--**	**(9,046,569)**	(8,719,928)	--	(8,719,928)
Policy acquisition costs	**(343,427)**	**--**	**(343,427)**	(630,734)	--	(630,734)
TOTAL UNDERWRITING COSTS & EXPENSES	**(9,389,996)**	**--**	**(9,389,996)**	(9,350,662)	--	(9,350,662)
NET UNDERWRITING INCOME	**1,227,719**	**--**	**1,227,719**	1,383,820	--	1,383,820

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Income (continued)

	2021			*2020*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful receivables	**(22,458)**	**--**	**(22,458)**	(28,770)	--	(28,770)
General and administrative expenses	**(586,004)**	**(12,590)**	**(598,594)**	(565,199)	(20,350)	(585,549)
Selling and marketing expenses	**(115,646)**	**--**	**(115,646)**	(106,467)	--	(106,467)
Investment income – net	**84,843**	**175,594**	**260,437**	121,788	91,507	213,295
Other income – net	**(4,985)**	**42,575**	**37,590**	(3,762)	31,243	27,481
Total Other Operating (expenses)/ income	**(644,250)**	**205,579**	**(438,671)**	(582,410)	102,400	(480,010)
Income before surplus, zakat & income tax	**583,469**	**205,579**	**789,048**	801,410	102,400	903,810
Transfer of surplus to shareholders	**(525,122)**	**525,122**	**--**	(721,269)	721,269	--
Income attributed to the shareholders before zakat and income tax	**58,347**	**730,701**	**789,048**	80,141	823,669	903,810
Zakat charge	**--**	**(41,136)**	**(41,136)**	--	(64,297)	(64,297)
Income tax charge	**--**	**(63,995)**	**(63,995)**	--	(63,244)	(63,244)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	**58,347**	**625,570**	**683,917**	80,141	696,128	776,269
Weighted average number of ordinary outstanding shares (in thousands)		**119,558**			119,421	
Basic and diluted earnings per share (Expressed in SR per Share)		**5.23**			5.83	

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Comprehensive Income

	2021			*2020*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
Net income attributed to the shareholders after zakat and income tax	**58,347**	**625,570**	**683,917**	80,141	696,128	776,269
Other comprehensive income						
Items that will not be reclassified to statements of income in subsequent years						
Re-measurement losses on employees' EOSB	**--**	**7,535**	**7,535**	--	(20,700)	(20,700)
Items that are or may be reclassified to statement of income in subsequent years						
Net changes in fair value of available-for-sale investments	**(15,083)**	**61,785**	**46,702**	11,554	156,813	168,367
TOTAL COMPREHENSIVE INCOME	**43,264**	**694,890**	**738,154**	91,695	832,241	923,936
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable			**(58,347)**			(80,141)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			**679,807**			843,795

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows

	2021			*2020*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income attributed to the shareholders before zakat and income tax	**--**	**730,701**	**730,701**	--	823,669	823,669
Adjustments for non-cash items:						
Net income attributed to the insurance operations	**58,347**	**--**	**58,347**	80,141	--	80,141
Depreciation of Fixtures, Furniture	**15,216**	**--**	**15,216**	15,266	--	15,266
Amortisation of Right-of-use assets	**15,939**	**--**	**15,939**	16,241	--	16,241
Amortisation of intangible assets	**14,446**	**--**	**14,446**	15,731	--	15,731
Loss on disposal of Fixtures and Furniture	**--**	**2,521**	**2,521**	--	--	--
Provision for LTIP	**--**	**20,386**	**20,386**	--	16,034	16,034
Allowance of doubtful receivables	**22,458**	**--**	**22,458**	28,770	--	28,770
Unrealised gains on investments held as FVSI	**--**	**(2,643)**	**(2,643)**	(1,058)	182	(876)
Commission Income on Term Deposits	**(31,182)**	**(27,175)**	**(58,357)**	(79,901)	(40,277)	(120,178)
Provision for end-of-service benefits	**--**	**27,495**	**27,495**	--	27,294	27,294
Finance cost	**--**	**5,834**	**5,834**	--	5,244	5,244
Changes in operating assets and liabilities:						
Premiums receivable	**(463,715)**	**--**	**(463,715)**	340,564	--	340,564
Reinsurers' share of unearned premiums	**(7,827)**	**--**	**(7,827)**	517	--	517
Reinsurers' share of outstanding claims	**(5,732)**	**--**	**(5,732)**	(257)	--	(257)
Reinsurers' share of claims incurred but not reported	**(1,368)**	**--**	**(1,368)**	(2,489)	--	(2,489)
Deferred policy acquisition costs	**(132,828)**	**--**	**(132,828)**	65,808	--	65,808
Prepaid expenses and other assets	**(28,831)**	**663**	**(28,168)**	92,167	9,056	101,223
Accrued and other liabilities	**63,710**	**614**	**64,324**	181,403	689	182,092
Reinsurers' balances payable	**20,524**	**--**	**20,524**	(49,540)	--	(49,540)
Unearned premiums	**686,224**	**--**	**686,224**	(352,888)	--	(352,888)
Outstanding claims	**154,649**	**--**	**154,649**	(5,269)	--	(5,269)
Claims incurred but not reported	**35,594**	**--**	**35,594**	220,866	--	220,866
Premium deficiency reserve	**(189,149)**	**--**	**(189,149)**	263,751	--	263,751
Claims handling reserve	**1,042**	**--**	**1,042**	2,263	--	2,263
Due to related parties	**--**	**(60,557)**	**(60,557)**	--	27,800	27,800
Due to shareholders' operations	**(48,133)**	**48,133**	**--**	(47,239)	47,239	--
	179,384	**745,972**	**925,356**	784,847	916,930	1,701,777
End-of-service benefits paid	**--**	**(7,686)**	**(7,686)**	--	(4,323)	(4,323)
Surplus paid to policyholders	**(68,678)**	**--**	**(68,678)**	(48,204)	--	(48,204)
Zakat and income tax paid	**--**	**(187,514)**	**(187,514)**	--	(92,776)	(92,776)
Net cash generated from operating activities	**110,706**	**550,772**	**661,478**	736,643	819,831	1,556,474

36. SUPPLEMENTARY INFORMATION (continued)

Statement of Cash flows (continued)

	2021			*2020*		
	Insurance operations	***Share-holders' operations***	***Total***	*Insurance operations*	*Share-holders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	**(1,839,000)**	**(374,328)**	**(2,213,328)**	(488,850)	(300,000)	(788,850)
Proceeds from maturity of term deposits	**1,507,552**	**466,960**	**1,974,512**	2,330,514	936,277	3,266,791
Additions to investments	**(8,132,760)**	**(7,033,358)**	**(15,166,118)**	(9,765,721)	(3,983,139)	(13,748,860)
Disposals of investments	**9,088,961**	**6,452,175**	**15,541,136**	6,935,704	2,793,785	9,729,489
Additions to Fixtures, Furniture	**--**	**(9,115)**	**(9,115)**	--	(11,840)	(11,840)
Disposal of Fixtures, Furniture	**--**	**--**	**--**	--	--	--
Intangible assets acquired	**--**	**(19,765)**	**(19,765)**	--	(21,444)	(21,444)
Net cash used in investing activities	**624,753**	**(517,431)**	**107,322**	(988,353)	(586,361)	(1,574,714)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid	**--**	**(408,000)**	**(408,000)**	--	--	--
Purchase of shares under LTIP	**--**	**(14,263)**	**(14,263)**	--	--	--
Lease liability paid	**--**	**(19,030)**	**(19,030)**	--	(14,218)	(14,218)
Net cash used in financing activities	**--**	**(441,293)**	**(441,293)**	--	(14,218)	(14,218)
Net change in cash and cash equivalents	**735,459**	**(407,952)**	**327,507**	(251,710)	219,252	(32,458)
Cash and cash equivalents at beginning of the year	**195,232**	**438,019**	**633,251**	446,942	218,767	665,709
Cash and cash equivalents at end of the year	**930,691**	**30,067**	**960,758**	195,232	438,019	633,251

37. RESTATEMENT OF COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation to these financial statements. These restatement have no impact on the net income for the year ended 31 December 2021 and retained earnings as at 31 December 2021.

As at 31 December 2020, an amount of SR 125.6 million has been reclassified from 'Fixtures, Furniture and Right-of-use assets – net' to 'Right-of-use assets – net'. Similarly as at 31 December 2020, an amount of SR 135.6 million has been reclassified from 'Accrued and other liabilities' to 'Lease liability'. In addition, an amount of SR 73.4 million has been reclassified from 'Prepaid expenses and other assets' to 'Term deposits'.

38. IMPACT OF COVID-19 COMPENSATION FOR GOVERNMENT PROVIDERS

As many world economies grapple with the coronavirus ("COVID-19") uncertainties, Bupa Arabia continues to monitor the situation closely and refresh its business continuity and risk management plans to ensure sustainability of its current service levels and operational activities under different scenarios while preserving the safety and health of its employees. COVID-19 is having a profound impact on many facets of the health insurance sector, including medical claim patterns as explained below. Given the many uncertainties surrounding the duration and severity of the pandemic, management continues reassessing and updating its estimates and judgments on a regular basis. Actual outcomes may differ from those projected. The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

After Saudi Arabia started easing COVID-19 lockdown and curfew measures towards the end of second quarter of 2020 for which a substantial drop in claims was observed, the demand for healthcare services gradually recovered during the second half of 2020 and throughout 2021. The claims levels in the second half of 2021 exceeded those of pre-COVID periods. The Company expects this pattern to persist over the next months; hence, the company still holds a PDR balance of SR 74.6 m to ensure it holds adequate reserves to cover for the surge in claims. This PDR calculation follows SAMA Circular 173 dated 16/01/2019, which requires insurance companies to hold a Premium Deficiency Reserve ("PDR") in case the relevant Unearned Premium Reserve ("UPR") is insufficient to cover related projected claims and expenses.

Impact of Government Providers

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

39. DIVIDENDS DECLARED

On 25 April 2021, the Company's Board of Directors proposed to pay dividends, for the year ended 31 December 2020, of SR 3.4 per share, totalling SR 408 million, to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting, held on 24 June 2021, with payment executed in July 2021.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors, on 22 Rajab 1443H corresponding to 23 February 2022.