SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of **Saudi Arabian Cooperative Insurance Company** (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") 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 that are 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 Matter

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) - (CONTINUED)

Key Audit Matter (continued)

The key audit matter	How the matter was addressed in our audit
Valuation of ulitimate claim liabilities arising from insurance contracts	
The Company as at December 31, 2022 has gross technical reserves amounting to SR 606.67 million as reported in Note 7 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), additional premium and other technical reserves. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. The valuation of technical reserves is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. Due to the significance of the amounts involved and the exercise of significant judgment by the management in the process for determination of the technical reserves, we have determined it to be a key audit matter. *Refer to notes 2(d)(i) which discloses the estimated liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.*	We evaluated the design and tested the implementation of key controls over the Company's processes for the claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. We evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liability as part of our substantive procedures. We 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 claims and technical reserves. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditors' expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) - (CONTINUED)

Other Information
The Management of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we 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``
The Management are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's by-laws, and for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) - (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the Management;

- Conclude on the appropriateness of Management 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; and

- 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 of the Company.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

PKF Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member of PKF International)

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
Member Crowe Global

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY) - (CONTINUED)

Report on Other Legal and Regulatory Requirements

Based on the information that have been made available to us and disclosed in Note 22, the Company is not in compliance with solvency margin requirements as per Article 68 of the Implementation Regulations for Insurance Companies.

Al Bassam &Co

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Kingdom of Saudi Arabia

Abdullah M. Al Azem
Certified Public Accountant
Registration No. 335

Ramadan 07, 1444
March 29, 2023

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
ASSETS			
Cash and cash equivalents	4	**36,736,221**	52,028,429
Murabaha deposits	5	**361,088,751**	254,965,731
Premiums and reinsurers' receivable - net	6	**242,487,638**	261,411,771
Reinsurers' share of unearned premiums	7b	**45,520,634**	27,161,652
Reinsurers' share of outstanding claims	7a	**394,901,624**	377,883,139
Reinsurers' share of claims incurred but not reported	7a	**44,241,000**	65,106,710
Deferred policy acquisition costs	7d	**45,880,940**	23,086,197
Available-for-sale investments	8a	**1,923,080**	1,923,080
Fair value through profit or loss investments	8b	**1,260,760**	92,247,362
Held-to-maturity investment	8c	**77,426,201**	75,942,638
Prepayments and other assets	9	**121,010,323**	72,137,583
Property and equipment	10	**29,054,611**	7,063,954
Intangible assets	10	**11,892,958**	11,594,023
Statutory deposit	11	**45,000,000**	30,000,000
Accrued income on statutory deposit		**3,185,584**	2,891,455
TOTAL ASSETS		**1,461,610,325**	1,355,443,724
LIABILITIES			
Policyholders' claims payable		**32,450,387**	23,039,414
Accrued expenses and other liabilities	12	**82,049,664**	97,600,348
Reinsurance balances payable		**67,975,013**	53,286,182
Unearned premiums	7b	**371,918,036**	254,129,776
Unearned reinsurance commission	7c	**8,033,182**	5,256,973
Outstanding claims and reserves	7a	**491,597,220**	446,156,975
Claims incurred but not reported	7a	**115,071,000**	146,966,791
Accounts payable		**1,274,684**	1,025,583
Employees' end-of-service benefits	13	**21,650,409**	23,938,250
Provision for zakat	14b	**8,481,047**	8,416,408
Accrued commission income payable to SAMA		**3,185,584**	2,891,455
TOTAL LIABILITIES		**1,203,686,226**	1,062,708,155
EQUITY			
Share capital	15	**300,000,000**	300,000,000
Statutory reserve	17	**29,473,371**	29,473,371
Accumulated losses		**(72,857,677)**	(35,652,959)
Re-measurement reserve/(loss) of Employees end-of-service benefits		**1,308,405**	(1,084,843)
TOTAL EQUITY		**257,924,099**	292,735,569
TOTAL LIABILITIES AND EQUITY		**1,461,610,325**	1,355,443,724
COMMITMENTS AND CONTINGENCIES	24		

ABDULAZIZ IBRAHIM ALRUQAIE	**ABDULAZIZ A. ABUSSUUD**	**ABDULRAHMAN SALEH ALOBRAH**
CHIEF FINANCIAL OFFICER	**BOARD MEMBER**	**CHIEF EXECUTIVE OFFICER**

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
REVENUES			
Gross premiums written	7b	**1,039,422,669**	777,537,673
Reinsurance premiums ceded			
- Local		**(76,478,110)**	(49,499,918)
- International (includes ceded through local broker)		**(164,843,089)**	(131,371,652)
	7b	**(241,321,199)**	(180,871,570)
Excess of loss expenses			
- Local		**(1,446,942)**	(546,646)
- International		**(39,747,238)**	(28,234,261)
	7b	**(41,194,180)**	(28,780,907)
Net premiums written		**756,907,290**	567,885,196
Movement in unearned premiums, net		**(99,429,276)**	(840,923)
Net premiums earned		**657,478,014**	567,044,273
Reinsurance commissions	7c	**21,536,409**	23,516,514
Other underwriting income		**6,267,494**	1,244,494
NET REVENUES		**685,281,917**	591,805,281
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7a	**581,163,111**	550,517,916
Reinsurers' share of claims paid	7a	**(58,752,317)**	(116,386,036)
Net claims paid		**522,410,794**	434,131,880
Movement in outstanding claims, IBNR and other reserves, net		**17,391,678**	29,349,032
Net claims incurred	7a	**539,802,472**	463,480,912
Policy acquisition costs	7d	**84,271,646**	61,085,624
Inspection and supervision fees		**5,554,888**	7,295,366
TOTAL UNDERWRITING COSTS AND EXPENSES		**629,629,006**	531,861,902
NET UNDERWRITING INCOME		**55,652,911**	59,943,379
OTHER INCOME/(EXPENSES)			
Income from investments		**4,407,765**	5,695,357
Unrealized gain/(loss) from change in fair value of FVTPL investments	8b	**(12,070)**	2,111,471
Realized gain on disposals of fair value of FVTPL investments		**13,850,819**	-
Income from murabaha deposits		**8,458,274**	5,787,496
Other income		**1,514,101**	2,588,003
General and administrative expenses	18	**(124,685,199)**	(122,319,117)
Reversal/ (Provision) for doubtful debts	6	**10,848,094**	(9,344,168)
TOTAL OTHER EXPENSES		**(85,618,216)**	(115,480,958)
Total loss for the year		**(29,965,305)**	(55,537,579)
Surplus attributed to the insurance operations		**-**	-
Total loss for the year attributable to the shareholders before zakat		**(29,965,305)**	(55,537,579)
Zakat charge for the year	14	**(7,239,413)**	(7,097,100)
Total loss for the year attributable to the shareholders after zakat		**(37,204,718)**	(62,634,679)
Loss per share			
Basic loss per share	16	**(1.24)**	(2.09)
Weighted average number of shares in issue throughout the year (in thousands)		**30,000**	30,000

ABDULAZIZ IBRAHIM ALRUQAIE	ABDULAZIZ A. ABUSSUUD	ABDULRAHMAN SALEH ALOBRAH
CHIEF FINANCIAL OFFICER	BOARD MEMBER	CHIEF EXECUTIVE OFFICER

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Total loss for the year after zakat		**(37,204,718)**	(62,634,679)
Other comprehensive loss:			
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial gain/(loss) on remeasurement of employees' end-of-service benefits	13	**2,393,248**	(1,134,479)
Items that may be reclassified to statements of income in		**-**	-
Total comprehensive loss for the year after zakat		**(34,811,470)**	(63,769,158)
Total comprehensive (loss)/profit attributable to the insurance operations		**(2,393,248)**	1,134,479
Total comprehensive loss attributable to the shareholders after zakat		**(37,204,718)**	(62,634,679)

ABDULAZIZ IBRAHIM ALRUQAIE
CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

ABDULRAHMAN SALEH ALOBRAH
CHIEF EXECUTIVE OFFICER

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

		2022				
	Note	Share capital	Statutory reserve	(Accumulated losses)	Re-measurement (loss)/reserve of employees' end-of-service benefits	Total equity
Balance at the beginning of the year		300,000,000	29,473,371	(35,652,959)	(1,084,843)	292,735,569
Comprehensive loss for the year:						
Total loss for the year attributable to the shareholders after zakat		-	-	(37,204,718)	-	(37,204,718)
Actuarial gain on remeasurement of employees' end-of-service benefits	13	-	-	-	2,393,248	2,393,248
Total comprehensive loss for the year		-	-	(37,204,718)	2,393,248	(34,811,470)
Balance at the end of the year		300,000,000	29,473,371	(72,857,677)	1,308,405	257,924,099

ABDULAZIZ IBRAHIM ALRUQAIE
CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

ABDULRAHMAN SALEH ALOBRAH
CHIEF EXECUTIVE OFFICER

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

		2021				
	Note	**Share capital**	**Statutory reserve**	**Retained earnings/(accumulated losses)**	**Re-measurement reserve/(loss) of employees' end-of-service benefits**	**Total equity**
Balance at the beginning of the year		300,000,000	29,473,371	26,981,720	49,636	356,504,727
Comprehensive income/(loss) for the year:						
Total income for the year attributable to the shareholders after zakat		-	-	(62,634,679)	-	(62,634,679)
Actuarial loss on remeasurement of employees' end-of-service benefits	13	-	-	-	(1,134,479)	(1,134,479)
Total comprehensive income/(loss) for the year		-	-	(62,634,679)	(1,134,479)	(63,769,158)
Balance at the end of the year		300,000,000	29,473,371	(35,652,959)	(1,084,843)	292,735,569

ABDULAZIZ IBRAHIM ALRUQAIE
CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

ABDULRAHMAN SALEH ALOBRAH
CHIEF EXECUTIVE OFFICER

The accompanying notes 1 to 25 form an integral part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat		**(29,965,305)**	(55,537,579)
Adjustments for non-cash items:			
Depreciation of property and equipment	10	**1,155,818**	1,447,112
Amortization of intangible assets	10	**1,492,119**	1,687,966
Amortisation of held-to-maturity investment	8c	**(1,483,563)**	(410,981)
(Reversal of) / provision for doubtful debts	6	**(10,848,094)**	9,344,168
Provision for employees' end-of-service benefits	13	**4,454,913**	5,015,990
Unrealized gain from change in fair value of FVTPL investments	8b	**12,070**	(2,111,471)
Realized gain on disposals of fair value of FVTPL investments	8b	**(13,850,819)**	-
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**29,772,227**	(24,883,744)
Reinsurers' share of unearned premiums		**(18,358,982)**	12,259,304
Reinsurers' share of outstanding claims and reserves		**(17,018,485)**	(38,716,411)
Reinsurers' share of claims incurred but not reported		**20,865,710**	(21,739,453)
Deferred policy acquisition costs		**(22,794,743)**	(4,627,142)
Prepayments and other assets		**(48,872,740)**	(13,827,683)
Statutory deposit		**(15,000,000)**	-
Policyholders claims payable		**9,410,973**	1,431,965
Accrued and other liabilities		**(15,550,684)**	32,683,351
Reinsurance balances payable		**14,688,831**	(443,902)
Unearned premiums		**117,788,260**	(11,418,381)
Unearned reinsurance commission		**2,776,209**	(1,502,169)
Outstanding claims and reserves		**45,440,245**	60,306,735
Claims incurred but not reported		**(31,895,791)**	29,498,161
Accounts payable		**249,101**	(420,339)
Cash (used in)/generated from operating activities		**22,467,270**	(21,964,503)
Surplus paid to policy holders		**-**	(5,577,137)
Employees' end-of-service benefits paid	13	**(4,349,506)**	(918,169)
Zakat paid	14b	**(7,174,774)**	(9,198,273)
Net cash (used in)/generated from operating activities		**10,942,990**	(37,658,082)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property and equipment	10	**(23,146,475)**	(3,677,799)
Additions of intangible assets	10	**(1,791,054)**	(3,478,631)
Addition in held-to-maturity investment	8c	**-**	(40,000,000)
Additions in fair value through profit or loss investments	8b	**(3,452,629)**	(107,351)
Proceed on disposal of fair value through profit or loss investments	8b	**108,277,980**	-
Additions in murabaha deposits		**(1,451,600,450)**	(183,000,000)
Proceed on disposal of murabaha deposits		**1,345,477,430**	269,950,565
Net cash (used In)/ generated from investing activities		**(26,235,198)**	39,686,784
Net change in cash and cash equivalents		**(15,292,208)**	2,028,702
Cash and cash equivalents at the beginning of the year	4	**52,028,429**	49,999,727
Cash and cash equivalents at the end of the year	4	**36,736,221**	52,028,429
Supplemental non-cash information:			
Actuarial gain/(loss) on remeasurement of employees' end-of-service benefits	13	**2,393,248**	(1,134,479)
Bad debts written-off		**(41,301)**	(11,758,328)

ABDULAZIZ IBRAHIM ALRUQAIE CHIEF FINANCIAL OFFICER	ABDULAZIZ A. ABUSSUUD BOARD MEMBER	ABDULRAHMAN SALEH ALOBRAH CHIEF EXECUTIVE OFFICER

The accompanying notes 1 to 25 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H, (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company's principal lines of business include all classes of general and medical insurance. The Company was listed on the Saudi Stock Exchange ("Tadawul") on 20 Shaban 1428H, (corresponding to 3 September 2007).

Following are the details of the branches of the Company and their commercial registration numbers:

Branch Name	Branch	Commercial Registration Number	Date
Saudi Arabian Cooperative Insurance Company	Jeddah	4030208674	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Khobar	2051044793	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Qassim	1131034133	25 Safar 1432H (31 January 2011)

The Company has been licensed to conduct insurance business in the Kingdom of Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Investment ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Central Bank ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

The Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is borne by the shareholders in full.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA), Law of Companies and the Company's by-laws.

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

These financial statements are prepared under the going concern concept and the historical cost convention, except for the investments carried at fair value through profit or loss, available-for-sale investments and employees' end-of-service benefit recognised at the present value of future obligations using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Held to maturity investments, Property and equipment, Intangible assets, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 25). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in Note 25 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, statement of comprehensive income and statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial statements in compliance with IFRSs, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances and transactions are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The company has Accumulated losses as at 31 December 2022 which are 24.28%. (31 December 2021: 11.88%) of the share capital. The main reason for these accumulated losses are high loss ratio. The management currently in process of finalizing a business plan which will subsequently be approved by the Board of Directors.

(b) Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is also the functional currency of the Company.

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 BASIS OF PREPARATION (continued)

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

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior period claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for 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 interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of investments

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

iii) Impairment of receivables

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

iv) Fair value of financial instruments

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models used are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

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

v) Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment.

vi) Premium deficiency reserve

Estimation of the premium deficiency reserve, if any, 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 written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended December 31, 2022, except for the adoption of the following

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2022:

Standard, interpretation, amendments	*Description*	*Effective from periods beginning on or after the following date*
A number of narrowscope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, 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, 'Firsttime Adoption of IFRS', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS16, 'Leases'.	Annual periods beginning on or after 1 January 2022.

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard, interpretation, amendments	*Description*	*Effective from periods beginning on or after the following date*
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
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', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements except for IFRS 9 and IFRS 17 as explained below.

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards, which have been published and are mandatory for compliance for the Company with effect from future dates.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts

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

1) Structure and status of the Implementation project

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

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the December 31 2020, December 31 2021 and June 30 2022 data to SAMA.

The Company has acquired new IFRS-17 solution, and dry-run results were obtained partially from the solution. We are currently carrying out the UAT and customization of the solution to fully receive the complete financials from the solution. Currently, there is no direct integration between the existing systems, and the new IFRS-17 solution. Data is fed to the IFRS-17 solution via an intermediate "staging database" which is created using access database and using spread-sheets.

2) Significant Judgements and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e. January 01, 2023:

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

a) Contracts outside the scope of IFRS 17

Self-Insurance contracts are outside the scope of IFRS 17. Insurance contracts in which the Company is the policyholder, such as Medical health Insurance issued as part of employment contracts with its employees, and some general insurance policies issued to insure its own properties have been excluded.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

b) Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together. The Company's principle lines of business include all classes of general and medical insurance. Based on the line of business (LOB), all the insurance and reinsurance contracts were aggregated to, Marine, Motor Private, Motor Commercial, Fire & Burglary, Workmen compensation, General Accident, Engineering, Group Local Medical, Group Global Medical, Group Life, and Other Portfolios.

Based on the expected profitability, these portfolios were divided into three groups:
• Any contracts that are onerous on initial recognition;
• Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
• Any remaining contracts in the portfolio.

Each group of gross insurance contracts is further divided in to bi-annual cohorts based on coverage effective date. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. Same level of aggregation applies to facultative reinsurance contracts ceded. The groups are established on initial recognition and their composition is not reassessed subsequently.

Each group of proportional and non-proportional treaty reinsurance contracts comprises a single contract.

Non-proportional treaty reinsurance contracts covering more than one portfolio are further split by portfolio.

c) Measurement – Overview

<u>**Insurance Contracts**</u>

The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model ("GMM") or if the coverage period of each contract in the group of insurance contracts is one year or less.

Except for the some Engineering, Group Life and Inherent defects insurance (IDI) policies, Company issues Insurance Contracts that covers a period of one year or less. Therefore, the premium allocation approach ("PAA") is the primary measurement model been used. Even for these long-term insurance policies, after performing the PAA eligibility test, it was determined the results were not materially different from that under GMM.

Under the premium allocation approach, the liability for remaining coverage ("LRC") is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognized as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a period. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

c) Measurement – Overview

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

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

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

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

<u>**Reinsurance Contracts**</u>

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

d) Insurance acquisition costs

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

e) Expenses attribution

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. Directly attributable expenses are sub-divided in to acquisition and maintenance expenses. The Company allocates the attributable costs based on a number of drivers.

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

f) Insurance revenue

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

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

g) Insurance service expenses

Insurance service expenses include the following:

i. incurred claims for the period.
ii. other incurred directly attributable expenses.
iii. insurance acquisition cash flows amortization.
iv. changes that relate to past service – changes in the FCF relating to the LIC.
v. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

f) Presentation and Disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

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

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows

The line item descriptions in the statement of profit or loss and other comprehensive income will be changed significantly compared with last period. Currently, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company will also provide a movement of net asset or liability for insurance and reinsurance contracts issued showing the liability for remaining coverage and the liability for incurred claims including Risk Adjustment for Major Lines of businesses.

g) Transition

The Company has chosen modified retrospective approach due to some limitations in retrieving historical data at more granular level.

The Company is planning to present comparative financial numbers when presenting 2023 financial statements. Accordingly, the transition date will be 1 January 2022.

3) Transition Impact

3a) Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of by SR 23.6 million to SR 28.7 million at 1 January 2022.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on Jan 1, 2022 In SR millions
Onerous Liability closing balance net of Loss recovery	Decrease by 18.8 to 23
Risk Adjustment	Decrease by 14.3 to 17.4
Deferred Acquisition cost on other Policy Acquisition costs	Increase by 6.9 to 8.5
Closing provision on profit commission approval	Increase by 1.4 to 1.7
Discounting	Increase by 1.2 to 1.5
Total Impact	**Decrease by 23.6 to 28.7**

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

3) Transition Impact (continued)

3b) Impact on Liabilities of Insurance Contract and Assets of Insurance Contract

Liabilities	**Impact on transition to IFRS 17 on Jan 1, 2022** **In SR millions**
Loss Component	Increase by 18.8 to 23
Risk Adjustment	Increase by 14.3 to 17.4
DAC on other PAC	Decrease by 6.9 to 8.5
Closing provision on profit commission approval	Decrease by 1.4 to 1.7
Discounting	Decrease by 1.2 to 1.5
Total Impact on Liabilities	**Increase by 23.6 to 28.7**
Assets	**None**

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

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

B. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

The Company is expected to provide the following policies;

1 Financial assets - Classification
2 Financial assets - Impairment
3 Financial liabilities
4 Transition

1 Financial assets – Classification

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

1.1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

1 Financial assets – Classification (continued)

1.2 Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

1.3 Financial assets at FVTPL

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

The Company expects that majority of the term-deposits to be classified as financial assets at amortized cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9.

2.1 Overview of Expected Credit Loss ('ECL')

The Company will recognize loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and Bank balances
- Other receivables balances

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

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

2 Financial assets – Impairment

2.2 Staging of financial assets

Investments

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

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

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

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

2.3 Credit impaired financial asset

At each reporting date, the Company will assess whether financial assets carried at amortized cost are credit impaired.

A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

2.4 ECL methodology and measurement

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

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

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

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

Probability of Default ('PD')

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

Loss Given Default ('LGD')

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

Exposure at Default ('EAD')

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

Forward looking estimate

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

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

3 Financial liabilities

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

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

4 Transition

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to a reduction of SR 10 to 11 million at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023

Adjustments due to adoption of IFRS 9	1 January 2022 In SR millions
Additional Impairment of financial assets	Decrease by 10 to 11

Key driver for increasing the impairment provision was expected credit losses on subrogation claim recovery receivables.

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes (before tax) is a reduction in the Company's total equity of SAR 33.6 to 39.7 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023

Overall Impact on Equity due to Transition to IFRS17 and IFRS9 (continued)

Transition To	Change in Equity @ 1 January 2022 In SR millions
IFRS17	Decrease by 23.6 to 28.7
IFRS9	Decrease by 10 to 11
Total Impact	**Decrease by 33.6 to 39.7**

The above change in equity will affect the solvency ratio of the Company, which will be estimated and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

The significant accounting policies used in preparing these financial statements are set out below have been consistently applied unless otherwise mentioned:

The estimated range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

Murabaha deposits

Murabaha 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 effective interest method, less any impairement in value, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

Premiums and reinsurers' receivable - net

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in “General and administrative expenses” in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivable balances are disclosed in note 6 fall under the scope of IFRS-4 "Insurance Contract".

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of income, as policy acquisition costs.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly. Where the liability adequacy test requires the adoption of new best estimate’s assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Investments and other financial assets

Initial recognition

Financial assets are recognized in the Company’s financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company’s financial assets except in case of financial assets at fair value through profit or loss. Company's financial assets include cash and cash equivalents, murabaha deposits, receivables, held-to-maturity investments and available-for-sale investments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Classification and subsequent measurement
Financial assets are classified into the following specified categories: loans and receivables, available-for-sale and held to maturity financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b. **Available-for-sale investments (“AFS”)** are non-derivative financial assets that are not classified as loans and receivables, held to maturity investment or financial assets at fair value through profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income. AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

c. **Fair value through profit or loss (“FVTPL”)** are non-derivative financial assets that are held for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

d. **Held-to-maturity investments** are investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statements of income when the investment is derecognized or impaired.

Impairment and un-collectability of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:
- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
    - adverse changes in the payment status of issuers or debtors in the Company; or
    - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Impairment and un-collectibility of financial assets (continued)
In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income and statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognized in the statement of income and statement of comprehensive income, the impairment loss is reversed through the statement of income and statement of comprehensive income.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under “Realized gain / (loss) on investments available for sale investments".

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market’s assessment of creditworthiness as reflected in the bond yields, rating agencies’ assessment of creditworthiness, country’s ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

Financial Liabilities
Initial recognition
Financial liabilities are recognized in the Company’s financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company’s financial liabilities.

Classification and subsequent measurement
Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fair values
The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income as they are consumed or expire with the passage of time.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Leasehold improvements	Shorter of 3 or the relevant lease term
Furniture and fittings	10
Computer and office equipment	3 - 5
Vehicles	3

The assets’ residual values, depreciation and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in “Other income” in the statement of income.

Capital work-in-progress
Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company’s policy.

Intangibles assets
Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is provided over the estimated useful lives of the applicable intangible assets using the straight line method. The estimated useful lives of the intangible asset are between 3 to 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory deposit
The statutory deposit, which is equal to 15%. (2021: 10%) of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

Accrued and other liabilities
Accrued and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Provisions
Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' end-of-service benefits
The Company operates an end-of-service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

Short term employee benefits
Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Employees' end-of-service benefits
The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a state-owned defined contribution plan. The payments made are expensed as incurred.

Zakat and tax
In accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and/ or net income using the basis defined under the regulations of ZATCA. Income tax is computed on the foreign shareholders' share of net income for the year.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

Statutory reserve
In accordance with the Company's by-laws, the Company shall allocate 20% of its retained earnings 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.

Trade date accounting
All regular way purchases and sales of financial assets are recognized/derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts

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

Revenue Recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (engineering and marine).

Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:
- Marine - Last three months premium at a reporting date is considered as unearned.
- Engineering - as per the guidelines provided by SAMA, pre-defined calculation for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Unearned commission on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of income.

Investment income

Investment income classified under held-to-maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income, if any, on equity instruments classified under available-for-sale investments is recognized when the right to receive payment is established.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates.

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling IBNR as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Further, the Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

Reinsurance contracts ceded

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts ceded are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial 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. Impairment is recognized in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Expense recognition

Expenses are recognized in statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statement of income are presented using the nature of expense method.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Operating Segments
A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on products and services and has eight reportable operating segments and one non-operating reportable segment as follows:

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

Shareholders' Funds is a non-operating segment. Income earned from murabaha deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

(All amounts in Saudi Riyals unless otherwise stated)

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	2022	2021
Cash in banks	**36,719,796**	52,014,680
Cash on hand	**16,425**	13,749
	36,736,221	52,028,429

Cash in banks are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

5 MURABAHA DEPOSITS

Murabaha deposits represents deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at rate ranging from 3.3% to 5.4% (31 December 2021: 0.8% to 3.4%) per annum.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	2022	2021
Policyholders	**152,200,100**	155,485,361
Brokers and agents	**120,380,578**	70,716,931
Related parties (note 19)	**22,675,566**	79,816,404
Receivables from reinsurers	**8,637,662**	27,688,737
	303,893,905	333,707,433
Less:		
Provision for doubtful receivables - policyholders	**(35,773,546)**	(31,595,125)
Provision for doubtful receivables - brokers and agents	**(15,339,104)**	(18,633,885)
Provision for doubtful receivables - related parties (note 19)	**(5,942,890)**	(16,516,338)
Provision for doubtful receivables - receivables from reinsurers	**(4,350,727)**	(5,550,314)
	(61,406,267)	(72,295,662)
	242,487,638	261,411,771

As at 31 December, the aging of receivables is as follows:

		Past due but not impaired			**Past due and impaired**		
	Total	**Less than 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 180 days**	**181 - 360 days**	**More than 360 days**
Policyholders	**152,200,100**	**76,767,346**	**11,304,453**	**13,048,488**	**5,062,642**	**6,008,243**	**40,008,928**
Brokers and agents	**120,380,578**	**47,923,790**	**43,243,759**	**2,587,122**	**5,140,936**	**4,480,319**	**17,004,652**
Related parties	**22,675,566**	**1,745,627**	**1,177,597**	**5,825,789**	**1,784,681**	**3,120,416**	**9,021,456**
Receivables from reinsurers	**8,637,662**	**272,593**	**1,403,087**	**106,863**	**128,829**	**1,067,676**	**5,658,614**
2022	**303,893,905**	**126,709,356**	**57,128,896**	**21,568,262**	**12,117,088**	**14,676,654**	**71,693,649**
Policyholders	155,485,361	61,282,437	35,792,467	10,811,017	7,528,959	5,347,771	34,722,710
Brokers and agents	70,716,931	29,560,801	6,327,162	3,681,513	6,354,841	6,194,520	18,598,094
Related parties	79,816,404	14,448,816	10,831,265	16,806,710	8,264,050	12,032,582	17,432,981
Receivables from reinsurers	27,688,737	2,076,047	1,064,234	9,666,423	3,215,703	4,922,205	6,744,125
2021	333,707,433	107,368,101	54,015,128	40,965,663	25,363,553	28,497,078	77,497,910

The movement in the provision for doubtful receivables is as follows:	**2022**	2021
Balance at January 1	**72,295,662**	74,709,822
(Reversal)/Provision made during the year	**(10,848,094)**	9,344,168
Bad debts written-off	**(41,301)**	(11,758,328)
Balance at December 31	**61,406,267**	72,295,662

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third 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 accounts for 31% of the receivable as at 31 December 2022 (31 December 2021: 19%).

(All amounts in Saudi Riyals unless otherwise stated)

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS

a) Outstanding claims and reserves

	2022			2021		
	Gross	**RI share**	**Net**	Gross	RI share	Net
Outstanding claims at end of the year	**506,395,540**	**(394,901,624)**	**111,493,916**	446,696,580	(377,883,139)	68,813,441
Other reserves at end of the year	**15,354,000**	**-**	**15,354,000**	10,861,709	-	10,861,709
Outstanding claims and reserves at end of the year	**521,749,540**	**(394,901,624)**	**126,847,916**	457,558,289	(377,883,139)	79,675,150
Less: realizable value of salvage and subrogation at end of the year	**(30,152,320)**	**-**	**(30,152,320)**	(11,401,314)	-	(11,401,314)
Outstanding claims and reserves at end of the year	**491,597,220**	**(394,901,624)**	**96,695,596**	446,156,975	(377,883,139)	68,273,836
Claims incurred but not reported at end of the year	**115,071,000**	**(44,241,000)**	**70,830,000**	146,966,791	(65,106,710)	81,860,081
	606,668,220	**(439,142,624)**	**167,525,596**	593,123,766	(442,989,849)	150,133,917
Claims paid during the year	**581,163,111**	**(58,752,317)**	**522,410,794**	550,517,916	(116,386,036)	434,131,880
Outstanding claims and reserves at beginning of the year	**(446,156,975)**	**377,883,139**	**(68,273,836)**	(385,850,240)	339,166,728	(46,683,512)
Claims incurred but not reported at beginning of the year	**(146,966,791)**	**65,106,710**	**(81,860,081)**	(117,468,630)	43,367,257	(74,101,373)
	(593,123,766)	**442,989,849**	**(150,133,917)**	(503,318,870)	382,533,985	(120,784,885)
Claims incurred during the year	**594,707,565**	**(54,905,093)**	**539,802,472**	640,322,812	(176,841,900)	463,480,912

b) Unearned premiums

	2022			2021		
	Gross	**RI share**	**Net**	Gross	RI share	Net
Unearned premiums at beginning of the year	**254,129,776**	**(27,161,652)**	**226,968,124**	265,548,157	(39,420,956)	226,127,201
Premiums written during the year	**1,039,422,669**	**(241,321,199)**	**798,101,470**	777,537,673	(180,871,570)	596,666,103
Excess of loss expenses during the year	**-**	**(41,194,180)**	**(41,194,180)**	-	(28,780,907)	(28,780,907)
Premiums earned during the year	**(921,634,409)**	**264,156,395**	**(657,478,014)**	(788,956,054)	221,911,781	(567,044,273)
Unearned premiums at end of the year	**371,918,036**	**(45,520,634)**	**326,397,402**	254,129,776	(27,161,652)	226,968,124

c) Unearned reinsurance commission

	2022	2021
Balance at January 1	**5,256,973**	6,759,142
Commission received during the year	**24,312,618**	22,014,345
Commission earned during the year	**(21,536,409)**	(23,516,514)
Balance at December 31	**8,033,182**	5,256,973

(All amounts in Saudi Riyals unless otherwise stated)

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS (continued)

d) Deferred policy acquisition costs

	2022	2021
Balance at January 1	**23,086,197**	18,459,055
Incurred during the year	**107,066,389**	65,712,766
Amortized during the year	**(84,271,646)**	(61,085,624)
Balance at December 31	**45,880,940**	23,086,197

8 INVESTMENTS

(a) Available-for-sale investments

As at 31 December 2022 and 31 December 2021, Available-for-sale investment represents SR 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.45% capital holding in Najm.

(b) Fair value through profit or loss investments

	2022	2021
Balance at January 1	**92,247,362**	90,028,540
Acquired during the year	**3,452,629**	107,351
Disposals during the year	**(108,277,980)**	-
Unrealized (loss)/gain from change in fair value	**(12,070)**	2,111,471
Realized gain on disposals during the year	**13,850,819**	-
Balance at December 31	**1,260,760**	92,247,362

As at 31 December 2022, Fair value through profit or loss investments represents SR 1.26 million (31 December 2021 : SR 92.25 million) in respect of quoted equity instruments of Saudi listed companies.

(c) Held-to-maturity investment

As at 31 December 2022, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank having a credit rating of "AA", amounted to SR 75 million (31 December 2021: SR 75 million) comprising of 75 Sukuk (31 December 2021: 75 Sukuk)

	2022	2021
Balance at January 1	**75,942,638**	35,531,657
Additions	**-**	40,000,000
Amortisation, net	**1,483,563**	410,981
Balance at December 31	**77,426,201**	75,942,638

9 PREPAYMENTS AND OTHER ASSETS

	2022	2021
Recoverable Claims	**87,926,517**	41,822,779
Accrued income from manafeth fund	**8,946,803**	4,269,430
Salvage	**7,945,442**	2,533,656
Guarantee deposits	**4,103,098**	4,346,743
Accrued interest income from murabaha deposits	**3,632,013**	5,463,039
Employees' receivables	**3,483,939**	3,568,135
Advance for IT operational expenses	**3,274,597**	2,529,557
Rentals	**1,157,639**	1,018,558
Others	**337,912**	1,210,009
Receivable from hospitals	**202,363**	3,195,471
Medical insurance	**-**	323,749
Excess of loss premium	**-**	1,856,457
	121,010,323	72,137,583

(All amounts in Saudi Riyals unless otherwise stated)

10 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

2022

	Property and equipment						Intangible assets		
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipment*	*Vehicles*	*Capital work in progress*	*Total property and equipment*	*Capital work in progress*	*Intangible assets*	*Total Intangible assets*
Cost									
1 January	7,602,496	2,756,280	16,298,495	675,600	5,574,794	**32,907,665**	9,418,141	21,351,740	**30,769,881**
Additions	58,785	186,353	2,893,111	-	21,421,902	**24,560,151**	-	2,277,335	**2,277,335**
Disposals/ Reversals	-	-	-	(72,600)	(1,341,076)	**(1,413,676)**	(486,281)	-	**(486,281)**
31 December	**7,661,281**	**2,942,633**	**19,191,606**	**603,000**	**25,655,620**	**56,054,140**	**8,931,860**	**23,629,075**	**32,560,935**
Accumulated depreciation/amortisation									
1 January	7,577,047	2,344,450	15,246,614	675,600	-	**25,843,711**	-	19,175,858	**19,175,858**
Charge for the year	10,638	75,755	1,142,025	-	-	**1,228,418**	-	1,492,119	**1,492,119**
Disposals	-	-	-	(72,600)	-	**(72,600)**	-	-	**-**
31 December	**7,587,685**	**2,420,205**	**16,388,639**	**603,000**	**-**	**26,999,529**	**-**	**20,667,977**	**20,667,977**
Net book value									
31 December	**73,596**	**522,428**	**2,802,967**	**-**	**25,655,620**	**29,054,611**	**8,931,860**	**2,961,098**	**11,892,958**

2021

	Property and equipment						Intangible assets		
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipment*	*Vehicles*	*Capital work in progress*	*Total property and equipment*	*Capital work in progress*	*Intangible assets*	*Total Intangible assets*
Cost									
1 January	7,602,496	2,756,280	16,298,495	675,600	1,896,995	29,229,866	5,939,510	21,351,740	27,291,250
Additions	-	-	-	-	3,677,799	3,677,799	3,478,631	-	3,478,631
31 December	7,602,496	2,756,280	16,298,495	675,600	5,574,794	32,907,665	9,418,141	21,351,740	30,769,881
Accumulated depreciation/amortisation									
1 January	7,552,757	2,250,106	13,918,136	675,600	-	24,396,599	-	17,487,892	17,487,892
Charge for the year	24,290	94,344	1,328,478	-	-	1,447,112	-	1,687,966	1,687,966
31 December	7,577,047	2,344,450	15,246,614	675,600	-	25,843,711	-	19,175,858	19,175,858
Net book value									
31 December	25,449	411,830	1,051,881	-	5,574,794	7,063,954	9,418,141	2,175,882	11,594,023

The depreciation/amortisation charge for the year is included in general and administrative expenses in the statement of income (Note 18).

(All amounts in Saudi Riyals unless otherwise stated)

11 STATUTORY DEPOSIT

Statutory deposit represents 15% (31 December 2021: 10%) of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies implemented in the Kingdom of Saudi Arabia. The statutory deposit cannot be withdrawn without the consent of SAMA.The statutory deposit was increased during the year from 10% to 15% as per instruction from SAMA dated 7 December 2022. The statutory deposit is placed with a counterparty having investment grade credit rating. Return on statutory deposit is shown as an asset and liability in the statement of financial position.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2022	2021
Commission payable		**49,874,151**	26,738,459
Value Added Tax payable		**7,629,906**	13,549,435
Others		**5,770,695**	6,733,742
Amounts due to related parties	19	**5,560,876**	42,846,342
Accrued expenses		**4,284,803**	3,073,828
Government payable		**3,231,943**	1,025,329
Excess of loss		**3,350,012**	-
Surveyors payable		**2,125,214**	3,324,285
Payable to workshops		**198,815**	69,017
Accrued salaries and employees' benefits		**23,249**	41,531
Accrued professional fees		**-**	198,380
		82,049,664	97,600,348

13 EMPLOYEES' END-OF-SERVICE BENEFITS

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Law. Accruals are made in accordance with the actuarial valuation under the projected unit credit method while the benefit payments obligation is discharged as and when it falls due. The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2022	2021
Present value of defined benefit obligation	**21,650,409**	23,938,250

Movement of defined benefit obligation	2022	2021
Balance at January 1	**23,938,250**	18,705,950
Current service cost	**3,922,608**	4,434,715
Interest cost	**532,305**	581,275
Actuarial (Gain)/loss on remeasurement	**(2,393,248)**	1,134,479
Payment of benefits during the year	**(4,349,506)**	(918,169)
Balance at December 31	**21,650,409**	23,938,250

Principal actuarial assumptions	2022	2021
Valuation discount rate	**4.7%**	2.5%
Expected rate of increase in salary level across different age bands	**5%**	0%

(All amounts in Saudi Riyals unless otherwise stated)

13 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	2022	2021
Valuation discount rate		
- Increase by 1%	**(1,260,100)**	(1,544,486)
- Decrease by 1%	**1,432,470**	1,780,248
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**1,413,017**	1,726,120
- Decrease by 1%	**(1,267,491)**	(1,531,427)
Mortality rate		
- Increase by 20%	**(874)**	(5,937)
- Decrease by 20%	**876**	5,951
Employee turnover		
- Increase by 20%	**(244,486)**	(723,039)
- Decrease by 20%	**234,830**	804,383

14 PROVISION FOR ZAKAT

a) Charge for the year

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

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

	2022	2021
Shareholders' equity and opening provisions	**385,663,518**	449,870,863
Book value of long term assets and statutory deposit	**(71,054,921)**	(127,740,796)
	314,608,597	322,130,067
Adjusted income for the year	**(34,839,404)**	(38,246,084)
Zakat base	**279,769,193**	283,883,983
Zakat due at 2.5%	**7,239,413**	7,097,100

The difference between the financial and zakatable results is mainly due to provisions which are not allowed in the calculation of zakatable income. The Company is not subject to income tax being fully owned by Saudi and GCC shareholders.

b) Zakat payable

The movement in zakat payable during the year were as follows:

	2022	2021
Balance at beginning of the year	**8,416,408**	10,517,581
Charge for the year	**7,239,413**	7,097,100
Payments during the year	**(7,174,774)**	(9,198,273)
Balance at end of the year	**8,481,047**	8,416,408

c) Status of assessments

The Company has filed its zakat return for the financial years up to and including the year 2021 with the ZATCA and received the final zakat certificate from the ZATCA.

The Company has received final assessments for the years 2008 through 2019 with no additional zakat liability.

15 SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SR 300 million at 31 December 2022 (31 December 2021: SR 300 million) consisting of 30 million shares (31 December 2021: 30 million shares) of SR 10 each. Shareholding structure of the Company is as below:

	2022		2021	
	Authorised, issued and paid up		Authorised, issued and paid up	
	No. of Shares	**SR'000**	No. of Shares	SR'000
Saudi Arabian Insurance Company B.S.C	**9,000,000**	**90,000,000**	9,000,000	90,000,000
Others	**21,000,000**	**210,000,000**	21,000,000	210,000,000
	30,000,000	**300,000,000**	30,000,000	300,000,000

16 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the year have been calculated by dividing the total loss attributable to the shareholders after zakat by the weighted average number of shares in issue throughout the period.

	2022	2021
Total loss for the year attributable to the shareholders after zakat	**(37,204,718)**	(62,634,679)
Weighted average number of shares throughout the year (thousands)	**30,000**	30,000
Basic and diluted loss per share	**(1.24)**	(2.09)

There are no diluted potential shares during the year ended 31 December 2022 and 2021.

17 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital. Such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

18 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2022**	2021
Salaries and benefits		**95,442,557**	98,076,372
IT operational expenses		**8,297,748**	5,597,940
Others		**5,264,384**	5,186,733
Depreciation	10	**1,227,696**	1,447,112
Amortisation	10	**1,492,841**	1,687,966
Rent		**3,075,549**	2,660,126
VAT Non-Recoverable		**2,782,877**	1,136,272
Legal and professional fees		**2,323,605**	2,572,591
Communications		**1,787,340**	1,508,699
Withholding tax		**1,358,367**	184,633
Subscription fees		**394,242**	359,221
Audit fees		**294,422**	607,187
Repairs and maintenance		**292,145**	393,060
Printing and stationery		**247,403**	194,154
Travel		**339,867**	379,351
Collectors' fees		**64,156**	327,700
		124,685,199	122,319,117

(All amounts in Saudi Riyals unless otherwise stated)

19 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and entities controlled, jointly controlled or subsequently influenced by such parties or the Company. All transactions with such related parties are conducted on normal terms and conditions and are approved by management.

The following are the details of the major related party transactions during the year and the related balances:

Related party	*Nature of transactions*	**Amount of transaction**		**Balance**	
		2022	2021	**2022**	2021
Amounts due to related parties are as follows (note 12):					
ACE RE GALLAGHER ARABIA("REINSURANCE BROKER")(Affiliate)	Premiums ceded through Broker	**(53,280,441)**	(45,866,391)		
	Commission received	**30,245**	105,764		
	Claims settled	**9,423,423**	-		
	Balance due to			**(5,560,876)**	(42,108,084)
ACE Limited (Affiliate)	Premium Written			**-**	(55,502)
Aldawaa Medical Services Company	Claims settled	**(3,820,356)**	-		
				(5,560,876)	(42,163,586)
Amounts due from related party are as follows (note 6):					
ACE GALLAGHER ARABIA INSURANCE BROKERS ("Broker")	Premiums received through Broker, net	**151,174,810**	124,397,455		
	Commission expense	**12,429,965**	11,747,823		
	Claims settled	**(15,897,810)**			
	- balance due from			**22,474,246**	79,816,404
	Provision of doubtful debts			**(5,791,901)**	(16,516,338)
	-Net balance due from			**16,682,345**	63,300,066
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Premiums ceded	**(300,504)**	(148,683)		
	Commission received	**20,119**	17,346		
	- balance due from/(due to)			**201,320**	(682,756)
	Provision for/(reversal) of doubtful debts			**(150,989)**	-
	-Net balance(due to)/ due from			**50,330**	(682,756)
				16,732,676	62,617,310

Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the year ended 31 December is as follows:

	BOD and committee members (Non-Executive)		**Top Executives including the CEO and CFO**	
	2022	2021	**2022**	2021
Short-term benefits	**1,151,000**	1,106,000	**12,631,320**	10,252,040
Bonus	**-**	-	**-**	3,758,860
Employees' end-of-service benefits	**-**	-	**919,573**	829,168
	1,151,000	1,106,000	**13,550,893**	14,840,068

(All amounts in Saudi Riyals unless otherwise stated)

20 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with 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.

Claims triangular analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance (with IBNR and other reserves) for 2022:

Accident year	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	**10,406,643,293**	**439,173,129**	**658,710,089**	**578,602,042**	**454,006,120**	**649,485,518**	**755,713,870**	**13,942,334,061**
One year later	**2,704,442,200**	**421,672,753**	**636,685,309**	**556,870,614**	**448,628,474**	**565,527,240**		**5,333,826,590**
Two years later	**2,705,784,699**	**453,304,829**	**635,368,472**	**558,884,779**	**446,464,251**			**4,799,807,030**
Three years later	**2,814,347,316**	**446,621,741**	**634,378,122**	**561,959,501**				**4,457,306,680**
Four years later	**2,461,084,083**	**444,957,137**	**601,516,732**					**3,507,557,952**
Five years later	**2,456,128,106**	**446,145,558**						**2,902,273,664**
Six years later	**2,407,050,360**							**2,407,050,360**
Current estimate of cumulative claims	**2,407,050,360**	**446,145,558**	**601,516,732**	**561,959,501**	**446,464,251**	**565,527,240**	**755,713,870**	**5,784,377,512**
Cumulative payments to date	**(2,335,521,445)**	**(433,927,837)**	**(595,855,607)**	**(545,067,305)**	**(401,483,770)**	**(473,584,705)**	**(392,268,623)**	**(5,177,709,292)**
Gross outstanding claims and reserves recognized in the statement of financial position	**71,528,915**	**12,217,721**	**5,661,125**	**16,892,196**	**44,980,481**	**91,942,535**	**363,445,247**	**606,668,220**

Claims development table gross of reinsurance (with IBNR and other reserves) for 2021:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	7,652,856,803	447,097,603	439,173,129	658,710,089	578,602,042	454,006,120	649,485,518	10,879,931,304
One year later	2,306,688,887	420,582,890	421,672,753	636,685,309	556,870,614	448,628,474		4,791,128,927
Two years later	2,283,859,310	399,910,956	453,304,829	635,368,472	558,884,779			4,331,328,346
Three years later	2,305,873,743	390,690,912	446,621,741	634,378,122				3,777,564,518
Four years later	2,423,656,404	388,658,482	444,957,137					3,257,272,023
Five years later	2,072,425,601	393,763,310						2,466,188,911
Six years later	2,062,364,796							2,062,364,796
Current estimate of cumulative claims	2,062,364,796	393,763,310	444,957,137	634,378,122	558,884,779	448,628,474	649,485,518	5,192,462,136
Cumulative payments to date	(1,930,592,812)	(380,862,870)	(432,716,926)	(584,751,034)	(534,915,450)	(392,430,310)	(343,068,968)	(4,599,338,370)
Gross outstanding claims and reserves recognized in the statement of financial position	131,771,984	12,900,440	12,240,211	49,627,088	23,969,329	56,198,164	306,416,550	593,123,766

(All amounts in Saudi Riyals unless otherwise stated)

20 CLAIMS DEVELOPMENT TABLE (continued)

Claims development table net of reinsurance (with IBNR and other reserves) for 2022:

Accident year	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	**6,773,315,908**	**366,938,363**	**477,262,346**	**504,142,371**	**352,879,225**	**464,448,610**	**535,959,893**	**9,474,946,716**
One year later	**2,089,712,848**	**376,779,178**	**467,228,061**	**504,574,163**	**345,499,693**	**456,779,819**		**4,240,573,762**
Two years later	**2,086,457,998**	**373,144,094**	**465,390,923**	**509,355,112**	**345,099,654**			**3,779,447,781**
Three years later	**1,973,775,542**	**370,448,217**	**466,294,831**	**514,939,010**				**3,325,457,600**
Four years later	**1,736,508,366**	**370,193,341**	**467,359,911**					**2,574,061,618**
Five years later	**1,735,783,265**	**371,391,615**						**2,107,174,880**
Six years later	**1,737,093,792**							**1,737,093,792**
Current estimate of cumulative claims	**1,737,093,792**	**371,391,615**	**467,359,911**	**514,939,010**	**345,099,654**	**456,779,819**	**535,959,893**	**4,428,623,694**
Cumulative payments to date	**(1,735,073,000)**	**(370,479,455)**	**(466,782,527)**	**(512,649,769)**	**(341,997,575)**	**(446,288,383)**	**(387,827,389)**	**(4,261,098,098)**
Net outstanding claims and reserves recognized in the statement of financial position	**2,020,792**	**912,160**	**577,384**	**2,289,241**	**3,102,079**	**10,491,436**	**148,132,504**	**167,525,596**

Claims development table net of reinsurance (with IBNR and other reserves) for 2021:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	4,660,961,162	345,348,350	366,938,363	477,262,346	504,142,371	352,879,225	464,448,610	7,171,980,427
One year later	1,767,006,396	324,545,373	376,779,178	467,228,061	504,574,163	345,499,693		3,785,632,864
Two years later	1,765,167,475	320,793,493	373,144,094	465,390,923	509,355,112			3,433,851,097
Three years later	1,765,664,505	321,547,294	370,448,217	466,294,831				2,923,954,847
Four years later	1,652,228,248	324,551,610	370,193,341					2,346,973,199
Five years later	1,411,956,756	324,924,004						1,736,880,760
Six years later	1,410,859,261							1,410,859,261
Current estimate of cumulative claims	1,410,859,261	324,924,004	370,193,341	466,294,831	509,355,112	345,499,693	464,448,610	3,891,574,852
Cumulative payments to date	(1,408,901,243)	(323,890,582)	(369,398,289)	(465,041,879)	(506,257,107)	(335,912,960)	(332,038,877)	(3,741,440,935)
Net outstanding claims and reserves recognized in the statement of financial position	1,958,018	1,033,422	795,052	1,252,952	3,098,005	9,586,733	132,409,733	150,133,917

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, income from murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts. Accordingly, they are included in unallocated income and expenses.

Segment assets do not include cash and cash equivalents, murabaha deposits, premiums and reinsurers' receivable - net, available for sale investment, held-to-maturity investment, due from related parties, prepayments and other assets, property and equipment, intangible assets, statutory deposit and accrued income from statutory deposit. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurance balances payable, accounts payable, employees' end-of-service benefits, provision for zakat, accrued commission income payable to SAMA. Accordingly, they are included in unallocated liabilities. All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

	2022					
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Shareholders' operations**	**Total**
Revenues						
Gross premiums written						
- Individual	**2,251,066**	**13,715,605**	**3,560,972**	**-**	**-**	**19,527,643**
- Micro enterprise	**13,745,342**	**12,685,875**	**8,944,258**	**-**	**-**	**35,375,475**
- Small enterprises	**97,635,992**	**16,455,699**	**10,801,071**	**-**	**-**	**124,892,762**
- Medium enterprises	**82,352,868**	**50,697,355**	**39,847,641**	**-**	**-**	**172,897,864**
- Large enterprise	**119,425,426**	**335,636,829**	**231,666,670**	**-**	**-**	**686,728,925**
	315,410,694	**429,191,363**	**294,820,612**	**-**	**-**	**1,039,422,669**
Reinsurance premiums ceded						
- Local	**-**	**-**	**(76,478,110)**	**-**	**-**	**(76,478,110)**
- International (includes premium ceded through local broker)	**-**	**(439,668)**	**(164,403,421)**	**-**	**-**	**(164,843,089)**
	-	**(439,668)**	**(240,881,531)**	**-**	**-**	**(241,321,199)**
Excess of loss expenses						
- Local	**-**	**(1,216,987)**	**(229,955)**	**-**	**-**	**(1,446,942)**
- International	**(33,157,686)**	**(3,797,050)**	**(2,792,502)**	**-**	**-**	**(39,747,238)**
	(33,157,686)	**(5,014,037)**	**(3,022,457)**	**-**	**-**	**(41,194,180)**
Net premiums written	**282,253,008**	**423,737,658**	**50,916,624**	**-**	**-**	**756,907,290**

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION (continued)

	2022					
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Shareholders' operations**	**Total**
Net premiums written	282,253,008	423,737,658	50,916,624	-	-	756,907,290
Movement in unearned premiums, net	15,007,524	(109,833,157)	(4,603,643)	-	-	(99,429,276)
Net premiums earned	297,260,532	313,904,501	46,312,981	-	-	657,478,014
Reinsurance commissions	-	94,757	21,441,652	-	-	21,536,409
Other underwriting income	2,648,923	1,145,246	2,473,325	-	-	6,267,494
Net revenues	299,909,455	315,144,505	70,227,958	-	-	685,281,917
Underwriting costs and expenses						
Gross claims paid	276,531,343	241,100,293	63,531,475	-	-	581,163,111
Reinsurers' share of claims paid	-	(664,536)	(58,087,781)	-	-	(58,752,317)
Net claims paid	276,531,343	240,435,757	5,443,694	-	-	522,410,794
Movement in outstanding claims, IBNR and other reserves, net	(35,600,989)	41,668,720	11,323,947	-	-	17,391,678
Net claims incurred	240,930,354	282,104,477	16,767,641	-	-	539,802,472
Policy acquisition costs	15,895,278	46,292,619	22,083,749	-	-	84,271,646
Inspection and supervision fees	3,738,048	1,549,682	267,158	-	-	5,554,888
Total underwriting costs and expenses	260,563,680	329,946,778	39,118,548	-	-	629,629,006
Net underwriting income/(loss)	39,345,775	(14,802,273)	31,109,410	-	-	55,652,911
Unallocated income					8,826,844	28,218,889
Unallocated expenses					(1,506,294)	(113,837,105)
Total loss for the year						(29,965,305)
Surplus attributed to the insurance operations						-
Total loss for the year attributable to the shareholders before zakat						(29,965,305)
Zakat						(7,239,413)
Total loss for the year attributable to the shareholders after zakat						(37,204,718)

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION (Continued)

	2021					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Revenues						
Gross premiums written						
- Individual	824,240	58,848,635	1,395,448	-	-	61,068,323
- Micro enterprise	9,499,310	7,066,058	8,244,833	-	-	24,810,201
- Small enterprises	71,883,591	11,267,456	7,226,409	-	-	90,377,456
- Medium enterprises	158,159,103	37,929,611	29,671,740	-	-	225,760,454
- Large enterprise	125,454,907	70,804,232	179,262,100	-	-	375,521,239
	365,821,151	185,915,992	225,800,530	-	-	777,537,673
Reinsurance premiums ceded						
- Local	-	-	(49,499,918)	-	-	(49,499,918)
- International (includes premium ceded through local broker)	-	(300,751)	(131,070,901)	-	-	(131,371,652)
	-	(300,751)	(180,570,819)	-	-	(180,871,570)
Excess of loss expenses						
- Local	-	(459,756)	(86,890)	-	-	(546,646)
- International	(23,922,085)	(1,839,022)	(2,473,154)	-	-	(28,234,261)
	(23,922,085)	(2,298,778)	(2,560,044)	-	-	(28,780,907)
Net premiums written	341,899,066	183,316,463	42,669,667	-	-	567,885,196
Movement in unearned premiums, net	(4,830,096)	3,179,104	810,069	-	-	(840,923)
Net premiums earned	337,068,970	186,495,567	43,479,736	-	-	567,044,273
Reinsurance commissions	-	1,102,675	22,413,839	-	-	23,516,514
Other underwriting income	305,153	505,648	433,693	-	-	1,244,494
Net revenues	337,374,123	188,103,890	66,327,268	-	-	591,805,281

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION (Continued)

	2021					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Underwriting costs and expenses						
Gross claims paid	286,709,855	146,157,951	117,650,110	-	-	550,517,916
Reinsurers' share of claims paid	-	(4,745,677)	(111,640,359)	-	-	(116,386,036)
Net claims paid	286,709,855	141,412,274	6,009,751	-	-	434,131,880
Movement in outstanding claims, IBNR and other reserves, net	26,480,340	1,219,339	1,649,353	-	-	29,349,032
Net claims incurred	313,190,195	142,631,613	7,659,104	-	-	463,480,912
Policy acquisition costs	18,450,843	22,411,326	20,223,455	-	-	61,085,624
Inspection and supervision fees	5,487,317	927,281	880,768	-	-	7,295,366
Total underwriting costs and expenses	337,128,355	165,970,220	28,763,327	-	-	531,861,902
Net underwriting income	245,768	22,133,670	37,563,941	-	-	59,943,379
Unallocated income					8,885,083	16,182,327
Unallocated expenses					(1,467,504)	(131,663,285)
Total loss for the year						(55,537,579)
Surplus attributed to the insurance operations						-
Total loss for the year attributable to the shareholders before zakat						(55,537,579)
Zakat						(7,097,100)
Total loss for the year attributable to the shareholders after zakat						(62,634,679)

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION (Continued)

	2022					
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Shareholders' operations**	**Total**
Assets						
Reinsurers' share of outstanding claims	-	13,069,890	381,831,734	-	-	394,901,624
Reinsurers' share of claims incurred but not reported	-	103,000	44,138,000	-	-	44,241,000
Reinsurers' share of unearned premiums	-	144,471	45,376,163	-	-	45,520,634
Deferred policy acquisition costs	6,151,729	33,291,132	6,438,079	-	-	45,880,940
Segment assets	6,151,729	46,608,493	477,783,976	-	-	530,544,198
Unallocated assets					367,100,140	931,066,127
Total assets						1,461,610,325
Liabilities and equity						
Outstanding claims and reserves	14,596,004	65,776,408	411,224,808	-	-	491,597,220
Claims incurred but not reported	25,442,000	41,616,000	48,013,000	-	-	115,071,000
Unearned premiums	115,407,818	198,067,605	58,442,613	-	-	371,918,036
Unearned reinsurance commission	-	42,639	7,990,543	-	-	8,033,182
Segment liabilities	155,445,822	305,502,652	525,670,964	-	-	986,619,438
Unallocated liabilities and surplus					12,941,315	217,066,788
Total equity					256,615,694	257,924,099
Total liabilities and equity						1,461,610,325

Unallocated assets at 31 December 2022 consists mainly of murabaha deposits of SR 361 million, premiums and reinsurers' receivable - net of SR 242 million, cash and cash equivalents of SR 37 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 1.3 million, Held-to-maturity investment of SR 77 million, Statutory Deposit of SR 45 million, Property and equipment of SR 29 million and other assets of SR 136 million.

Unallocated liabilities and surplus at 31 December 2022 consists mainly of accrued and other liabilities of SR 82 million, reinsurance balances payable of SR 68 million, employees' end-of-service benefits of SR 22 million and other liabilities of SR 45 million.

(All amounts in Saudi Riyals unless otherwise stated)

21 SEGMENT INFORMATION (Continued)

	2021					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Assets						
Reinsurers' share of outstanding claims	-	5,728,845	372,154,294	-	-	377,883,139
Reinsurers' share of claims incurred but not reported	-	5,842,288	59,264,422	-	-	65,106,710
Reinsurers' share of unearned premiums	-	25,710	27,135,942	-	-	27,161,652
Deferred policy acquisition costs	6,862,191	12,452,377	3,771,629	-	-	23,086,197
Segment assets	6,862,191	24,049,220	462,326,287	-	-	493,237,698
Unallocated assets					351,842,629	862,206,026
Total assets						1,355,443,724
Liabilities						
Outstanding claims and reserves	32,566,993	25,832,226	387,757,756	-	-	446,156,975
Claims incurred but not reported	43,072,000	38,289,706	65,605,085	-	-	146,966,791
Unearned premiums	130,415,342	88,044,455	35,669,979	-	-	254,129,776
Unearned reinsurance commission	-	9,893	5,247,080	-	-	5,256,973
Segment liabilities	206,054,335	152,176,280	494,279,900	-	-	852,510,515
Unallocated liabilities and surplus					12,333,446	210,197,640
Total equity					293,820,412	292,735,569
Total liabilities						1,355,443,724

Unallocated assets at 31 December 2021 consists mainly of murabaha deposits of SR 255 million, premiums and reinsurers' receivable - net of SR 261 million, cash and cash equivalents of SR 52 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 92 million, Held-to-maturity investment of SR 76 million and other assets of SR 124 million.

Unallocated liabilities and surplus at 31 December 2021 consists mainly of accrued and other liabilities of SR 97.6 million, reinsurance balances payable of SR 53.29 million, employees' end-of-service benefits of SR 23.94 million and other liabilities of SR 35.28 million.

22 RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

Risk Governance
The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance risk, reinsurance risk, special commission rate risk, credit risk, liquidity risk, currency risk, market price risk, capital management regulatory framework risk and operational risk.

a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

b. Board of directors - the apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

22 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor segment.

The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates majorly in Saudi Arabia, all the insurance risks relate to policies written in Saudi Arabia.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

22 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the 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.

A hypothetical 5% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows:

	Change in assumptions	Increase/ (decrease) in net liabilities	Increase/ (decrease) in underwriting surplus
Ultimate loss ratio			
2022	**+/- 5%**	**32,873,901**	**32,873,901**
2021	+/- 5%	28,352,214	28,352,214

b) Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors. The criteria may be summarized as follows:

22 RISK MANAGEMENT (continued)

b) Reinsurance risk (continued)

- Minimum acceptable credit rating by recognized rating agencies (e.g. S&P) that is not lower than BBB or equivalent
- Reputation of particular reinsurance companies
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2022 and 2021, there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do 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) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its murabaha deposits and investment in Sukuks.

The Company have murabaha deposits and investment in Sukuks, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of income to possible changes in commission rates, with all other variables held constant.

	2022	2021
Increase/(decrease) in commission rates by 100 basis points	**3,610,888**	2,549,657

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. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

(All amounts in Saudi Riyals unless otherwise stated)

22 RISK MANAGEMENT (continued)

d) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2022	2021
Cash in banks	**36,719,796**	52,014,680
Murabaha deposits	**361,088,751**	254,965,731
Premiums and reinsurers' receivable - net	**242,487,638**	261,411,771
Reinsurers' share of outstanding claims and reserves	**394,901,624**	377,883,139
Reinsurers' share of claims incurred but not reported	**44,241,000**	65,106,710
Available-for-sale investments	**1,923,080**	1,923,080
Held-to-maturity investments	**77,426,201**	75,942,638
Statutory deposit	**45,000,000**	30,000,000
Other assets	**108,131,927**	62,537,111
	1,311,920,017	1,181,784,860

Credit quality
The credit quality of the financial assets is as follows:

Credit quality	* Credit Rating	**2022**	2021
Cash and cash equivalents			
Very strong	AAA - A2	**36,719,796**	52,014,680
Satisfactory	A3 - BAA3	**-**	-
Unrated	Unrated	**16,425**	13,749
		36,736,221	52,028,429
Murabaha deposits			
Very strong	AAA - A2	**361,088,751**	254,965,731
Satisfactory	A3 - BAA3	**-**	-
Unrated	Unrated	**-**	-
		361,088,751	254,965,731
Investments			
Very strong	Aaa - A2	**78,686,961**	168,028,972
Satisfactory	A3 - BAA3	**-**	161,028
Unrated	Unrated	**1,923,080**	1,923,080
		80,610,041	170,113,080

** Credit rating source: Moody's*

All other financial assets are unrated.

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

(All amounts in Saudi Riyals unless otherwise stated)

22 RISK MANAGEMENT (continued)

e) Liquidity risk

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

Maturity Profiles

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	2022			2021		
FINANCIAL ASSETS	**Less than one year**	**More than one year**	**Total**	Less than one year	Less than one year	Total
Cash and cash equivalents	**36,736,221**	**-**	**36,736,221**	52,028,429	-	52,028,429
Murabaha deposits	**361,088,751**	**-**	**361,088,751**	254,965,731	-	254,965,731
Premiums and reinsurers' receivable - net	**242,487,638**	**-**	**242,487,638**	261,411,771	-	261,411,771
Reinsurers' share of outstanding claims	**394,901,624**	**-**	**394,901,624**	377,883,139	-	377,883,139
Available-for-sale investments	**-**	**1,923,080**	**1,923,080**	-	1,923,080	1,923,080
Fair value through profit or loss investments	**-**	**1,260,760**	**1,260,760**	-	92,247,362	92,247,362
Held-to-maturity investment	**-**	**77,426,201**	**77,426,201**	-	75,942,638	75,942,638
Statutory deposit	**-**	**45,000,000**	**45,000,000**	-	30,000,000	30,000,000
Other assets	**108,131,927**	**-**	**108,131,927**	62,537,111	-	62,537,111
	1,143,346,161	**125,610,041**	**1,268,956,202**	1,008,826,181	200,113,080	1,208,939,261
FINANCIAL LIABILITIES						
Policyholders claims payable	**32,450,387**	**-**	**32,450,387**	23,039,414	-	23,039,414
Accrued and other liabilities	**82,049,664**	**-**	**82,049,664**	97,600,348	-	97,600,348
Reinsurance balances payable	**67,975,013**	**-**	**67,975,013**	53,286,182	-	53,286,182
Outstanding claims and reserves	**491,597,220**	**-**	**491,597,220**	446,156,975	-	446,156,975
Accounts payable	**1,274,684**	**-**	**1,274,684**	1,025,583	-	1,025,583
Employees' end-of-service benefits	**-**	**21,650,409**	**21,650,409**	-	23,938,250	23,938,250
Provision for zakat	**8,481,047**	**-**	**8,481,047**	8,416,408	-	8,416,408
Accrued commission income payable to SAMA	**3,185,584**	**-**	**3,185,584**	2,891,455	-	2,891,455
	687,013,599	**21,650,409**	**708,664,008**	632,416,365	23,938,250	656,354,615

Liquidity profiles

None of the liabilities on the statement of financial position are based on discounted cash flows and are payable on a current basis within 1 year except employees end-of-service benefits.

22 RISK MANAGEMENT (continued)

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

g) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company has investment in unquoted equity instruments carried at cost, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of changes in equity will be impacted.

h) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

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

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

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

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SR 300 million, statutory reserves of SR 29.47 million and accumulated losses of SR 72.86 million (31 December 2021: paid-up share capital of SR 300 million, statutory reserves of SR 29.47 million and accumulated losses of SR 35.65 million) in the interim condensed statement of financial position. The company is not in compliance with solvency margin required by SAMA.

22 RISK MANAGEMENT (continued)

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is compliant of minimum capital adequacy prescribed by the regulator.

j) Operational Risk

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

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

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

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

23 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 transactions take place either:

- in the accessible principal market for the asset or liability, or
- in the accessible principal market, in the most advantagous accessible marketfor the asset or liability

The management assessed that cash and cash equivalent, accrual and other liabilities and other financial assets and liabilities approximate their carrying amounts largely duye to the short term maturities of these instruments.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

(All amounts in Saudi Riyals unless otherwise stated)

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a) Carrying amounts and fair value

The following table summarizes the financial assets recorded at fair value as of 31 December 2022 and 2021 by level of the fair value hierarchy.

As at 31 December 2022	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
FVTPL investments	**1,260,760**	**1,260,760**	**-**	**-**	**1,260,760**
	1,260,760	**1,260,760**	**-**	**-**	**1,260,760**

As at 31 December 2021	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
FVTPL investments	92,247,362	92,247,362	-	-	92,247,362
	92,247,362	92,247,362	-	-	92,247,362

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

b) Measurement of Fair values

Available-for-sale investment represents unquoted securities amounted to SR 1.9 million in respect of the Company's share in the capital of Najm. As at 31 December 2022 and 31 December 2021, the investment has not been measured at fair value in the absence of active market or other means of measuring their fair value reliably. However, the management believes that there is no major difference between the carrying value and fair value of the investment.

24 COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

a. Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b. Performance guarantees

As at 31 December 2022, performance guarantees amounting to SR 4.10 million (31 December 2021: SR 4.35 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

COMMITMENTS

During 2020, the Company entered into an agreement for the construction of the commercial building on the land under deed No. 2/214 located at the Salahuddin AL-Ayyubi Road, Riyadh, Kingdom of Saudi Arabia.

The Company is committed to half of the incurred capital expenditure for the acquisition of land and construction of the building, and the transaction will be recognized as the development progresses and upon completion of the transfer of the underlying right and obligations.

The estimated commitment as at balance sheet date but not recognized in the financial statement are as follows:

	2022	2021
Acquisition of the Land	**12,663,500**	12,663,500
Construction of the Building	**24,861,348**	46,283,250
	37,524,848	58,946,750

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION

25.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
ASSETS						
Cash and cash equivalents	**32,960,466**	41,770,297	**3,775,755**	10,258,132	**36,736,221**	52,028,429
Murabaha deposits	**128,000,000**	96,523,796	**233,088,751**	158,441,935	**361,088,751**	254,965,731
Premiums and reinsurers' receivable - net	**242,487,638**	261,411,771	**-**	-	**242,487,638**	261,411,771
Reinsurers' share of unearned premiums	**45,520,634**	27,161,652	**-**	-	**45,520,634**	27,161,652
Reinsurers' share of outstanding claims and reserves	**394,901,624**	377,883,139	**-**	-	**394,901,624**	377,883,139
Reinsurers' share of claims incurred but not reported	**44,241,000**	65,106,710	**-**	-	**44,241,000**	65,106,710
Deferred policy acquisition costs	**45,880,940**	23,086,197	**-**	-	**45,880,940**	23,086,197
Available for sale investment	**1,923,080**	1,923,080	**-**	-	**1,923,080**	1,923,080
Fair value through profit or loss investments	**291,384**	161,027	**969,376**	92,086,335	**1,260,760**	92,247,362
Held-to-maturity investment	**19,712,571**	20,073,680	**57,713,630**	55,868,958	**77,426,201**	75,942,638
Prepayments and other assets	**119,065,181**	69,841,769	**1,945,142**	2,295,814	**121,010,323**	72,137,583
Property and equipment	**7,632,709**	7,063,954	**21,421,902**	-	**29,054,611**	7,063,954
Intangible assets	**11,892,958**	11,594,023	**-**	-	**11,892,958**	11,594,023
Statutory deposit	**-**	-	**45,000,000**	30,000,000	**45,000,000**	30,000,000
Accrued income from statutory deposit	**-**	-	**3,185,584**	2,891,455	**3,185,584**	2,891,455
TOTAL ASSETS	**1,094,510,185**	1,003,601,095	**367,100,140**	351,842,629	**1,461,610,325**	1,355,443,724

Above stated assets do not include "Due to insurance operations" amounting to SR 96,234,726 (31 December 2021 "Due from insurance operations": 46,773,614) to be consistent with total assets presented in the statement of financial position.

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.1 Statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
LIABILITIES						
Policyholders' claims payable	**32,450,387**	23,039,414	**-**	-	**32,450,387**	23,039,414
Accrued and other liabilities	**82,049,664**	97,600,348	**-**	-	**82,049,664**	97,600,348
Reinsurance balances payable	**67,975,013**	53,286,182	**-**	-	**67,975,013**	53,286,182
Unearned premiums	**371,918,036**	254,129,776	**-**	-	**371,918,036**	254,129,776
Unearned reinsurance commission	**8,033,182**	5,256,973	**-**	-	**8,033,182**	5,256,973
Outstanding claims and reserves	**491,597,220**	446,156,975	**-**	-	**491,597,220**	446,156,975
Claims incurred but not reported	**115,071,000**	146,966,791	**-**	-	**115,071,000**	146,966,791
Accounts payable	**-**	-	**1,274,684**	1,025,583	**1,274,684**	1,025,583
Employees' end-of-service benefits	**21,650,409**	23,938,250	**-**	-	**21,650,409**	23,938,250
Provision for zakat	**-**	-	**8,481,047**	8,416,408	**8,481,047**	8,416,408
Accrued commission income payable to SAMA	**-**	-	**3,185,584**	2,891,455	**3,185,584**	2,891,455
TOTAL LIABILITIES	**1,190,744,911**	1,050,374,709	**12,941,315**	12,333,446	**1,203,686,226**	1,062,708,155
EQUITY						
Share capital	**-**	-	**300,000,000**	300,000,000	**300,000,000**	300,000,000
Statutory reserve	**-**	-	**29,473,371**	29,473,371	**29,473,371**	29,473,371
Accumulated losses	**-**	-	**(72,857,677)**	(35,652,959)	**(72,857,677)**	(35,652,959)
Re-measurement reserve/(loss) of employees end-of-service benefits	**-**	-	**1,308,405**	(1,084,843)	**1,308,405**	(1,084,843)
TOTAL EQUITY	**-**	-	**257,924,099**	292,735,569	**257,924,099**	292,735,569
TOTAL LIABILITIES AND EQUITY	**1,190,744,911**	1,050,374,709	**270,865,414**	305,069,015	**1,461,610,325**	1,355,443,724

Above stated liabilities do not include "Due from shareholders' operations" amounting to SR SR 96,234,726 (31 December 2021 "Due to shareholders' operation": 46,773,614) to be consistent with total liabilities presented in the statement of financial position.

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.2 Statement of income

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
REVENUES						
Gross premiums written	**1,039,422,669**	777,537,673	-	-	**1,039,422,669**	777,537,673
Reinsurance premiums ceded						
- Local	**(76,478,110)**	(49,499,918)	-	-	**(76,478,110)**	(49,499,918)
- International (includes premium ceded through local broker)	**(164,843,089)**	(131,371,652)	-	-	**(164,843,089)**	(131,371,652)
	(241,321,199)	(180,871,570)	-	-	**(241,321,199)**	(180,871,570)
Excess of loss/ stop loss expenses						
- Local	**(1,446,942)**	(546,646)	-	-	**(1,446,942)**	(546,646)
- International	**(39,747,238)**	(28,234,261)	-	-	**(39,747,238)**	(28,234,261)
	(41,194,180)	(28,780,907)	-	-	**(41,194,180)**	(28,780,907)
Net premiums written	**756,907,290**	567,885,196	-	-	**756,907,290**	567,885,196
Movement in unearned premiums, net	**(99,429,276)**	(840,923)	-	-	**(99,429,276)**	(840,923)
Net premiums earned	**657,478,014**	567,044,273	-	-	**657,478,014**	567,044,273
Reinsurance commissions	**21,536,409**	23,516,514	-	-	**21,536,409**	23,516,514
Other underwriting income	**6,267,494**	1,244,494	-	-	**6,267,494**	1,244,494
NET REVENUES	**685,281,917**	591,805,281	-	-	**685,281,917**	591,805,281
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**581,163,111**	550,517,916	-	-	**581,163,111**	550,517,916
Reinsurers' share of claims paid	**(58,752,317)**	(116,386,036)	-	-	**(58,752,317)**	(116,386,036)
Net claims paid	**522,410,794**	434,131,880	-	-	**522,410,794**	434,131,880
Movement in outstanding claims, net	**17,391,678**	29,349,032	-	-	**17,391,678**	29,349,032
Net claims incurred	**539,802,472**	463,480,912	-	-	**539,802,472**	463,480,912
Policy acquisition costs	**84,271,646**	61,085,624	-	-	**84,271,646**	61,085,624
Inspection and supervision fees	**5,554,888**	7,295,366	-	-	**5,554,888**	7,295,366
TOTAL UNDERWRITING COSTS AND EXPENSES	**629,629,006**	531,861,902	-	-	**629,629,006**	531,861,902
NET UNDERWRITING INCOME	**55,652,911**	59,943,379	-	-	**55,652,911**	59,943,379

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.2 Statement of income (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
OTHER INCOME/(EXPENSES)						
Income from investments	**860,053**	577,987	**3,547,712**	5,117,370	**4,407,765**	5,695,357
Unrealized gain/(loss) from change in fair value of FVTPL investments	**(30,672)**	53,676	**18,602**	2,057,795	**(12,070)**	2,111,471
Realized gain on disposals of fair value of FVTPL investments	**680,521**	-	**13,170,298**	-	**13,850,819**	-
Income from murabaha deposits	**3,179,142**	2,019,783	**5,279,132**	3,767,713	**8,458,274**	5,787,496
Other income	**1,514,101**	2,588,003	**-**	-	**1,514,101**	2,588,003
General and administrative expenses	**(123,178,905)**	(120,851,613)	**(1,506,294)**	(1,467,504)	**(124,685,199)**	(122,319,117)
Reversal of/(provision for) doubtful debts	**10,848,094**	(9,344,168)	**-**	-	**10,848,094**	(9,344,168)
TOTAL OTHER (EXPENSES)/INCOME	**(106,127,666)**	(124,956,332)	**20,509,450**	9,475,374	**(85,618,216)**	(115,480,958)
Total loss for the year	**(50,474,755)**	(65,012,953)	**20,509,450**	9,475,374	**(29,965,305)**	(55,537,579)
Total loss for the year attributable to shareholders before zakat	**50,474,755**	65,012,953	**(50,474,755)**	(65,012,953)	**-**	-
Total loss for the year before zakat	**-**	-	**(29,965,305)**	(55,537,579)	**(29,965,305)**	(55,537,579)
Zakat charge for the year	**-**	-	**(7,239,413)**	(7,097,100)	**(7,239,413)**	(7,097,100)
Total loss for the year after zakat	**-**	-	**(37,204,718)**	(62,634,679)	**(37,204,718)**	(62,634,679)

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.3 Statement of comprehensive income

	Notes	Insurance Operations		Shareholders' Operations		Total	
		2022	2021	**2022**	2021	**2022**	2021
Total loss for the year		**-**	-	**(37,204,718)**	(62,634,679)	**(37,204,718)**	(62,634,679)
Other comprehensive income / (loss) :							
Items that will not be reclassified to statement of income in							
- Actuarial gain/(loss) on employees' end-of-service benefits	13	**2,393,248**	(1,134,479)	**-**	-	**2,393,248**	(1,134,479)
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:							
- Change in fair value of available-for-sale investments, net	8	**-**	-	**-**	-	**-**	-
Total comprehensive income/(loss) for the year		**2,393,248**	(1,134,479)	**(37,204,718)**	(62,634,679)	**(34,811,470)**	(63,769,158)

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.4 Statement of cash flows

		Insurance Operations		*Shareholders' Operations*		*Total*	
	Notes	**2022**	2021	**2022**	2021	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Total (loss)/income for the year before zakat		**(50,474,755)**	(65,012,953)	**20,509,450**	9,475,374	**(29,965,305)**	(55,537,579)
Adjustments for non-cash items:							
Depreciation of property and equipment	10	**1,155,818**	1,447,112	**-**	-	**1,155,818**	1,447,112
Amortization of intangible assets	10	**1,492,119**	1,687,966	**-**	-	**1,492,119**	1,687,966
Amortisation of held-to-maturity investment	8c	**(1,483,563)**	(410,981)			**(1,483,563)**	(410,981)
Provision for doubtful receivables	6	**(10,848,094)**	9,344,168	**-**	-	**(10,848,094)**	9,344,168
Provision for employees' end-of-service benefits	13	**4,454,913**	5,015,990	**-**	-	**4,454,913**	5,015,990
Unrealized gain from change in fair value of FVTPL investments	8b	**30,672**	-	**(18,602)**	(2,111,471)	**12,070**	(2,111,471)
Realized gain on disposals of fair value of FVTPL investments	8b	**(680,521)**	-	**(13,170,298)**	-	**(13,850,819)**	-
Changes in operating assets and liabilities:							
Premiums and reinsurers' receivable		**29,772,227**	(24,883,744)	**-**	-	**29,772,227**	(24,883,744)
Reinsurers' share of unearned premiums		**(18,358,982)**	12,259,304	**-**	-	**(18,358,982)**	12,259,304
Reinsurers' share of outstanding claims and reserves		**(17,018,485)**	(38,716,411)	**-**	-	**(17,018,485)**	(38,716,411)
Reinsurers' share of claims incurred but not reported		**20,865,710**	(21,739,453)	**-**	-	**20,865,710**	(21,739,453)
Deferred policy acquisition costs		**(22,794,743)**	(4,627,142)	**-**	-	**(22,794,743)**	(4,627,142)
Prepayments and other assets		**(49,223,412)**	(14,334,178)	**350,672**	506,495	**(48,872,740)**	(13,827,683)
Statutory deposit		**-**	-	**(15,000,000)**	-	**(15,000,000)**	-
Policyholders claims payable		**9,410,973**	1,431,965	**-**	-	**9,410,973**	1,431,965
Accrued and other liabilities		**(15,550,684)**	32,683,351	**-**	-	**(15,550,684)**	32,683,351
Reinsurance balances payable		**14,688,831**	(443,902)	**-**	-	**14,688,831**	(443,902)
Unearned premiums		**117,788,260**	(11,418,381)	**-**	-	**117,788,260**	(11,418,381)
Unearned reinsurance commission		**2,776,209**	(1,502,169)	**-**	-	**2,776,209**	(1,502,169)
Outstanding claims and reserves		**45,440,245**	60,306,735	**-**	-	**45,440,245**	60,306,735
Claims incurred but not reported		**(31,895,791)**	29,498,161	**-**	-	**(31,895,791)**	29,498,161
Accounts payable		**-**	-	**249,101**	(420,339)	**249,101**	(420,339)
Cash generated from/(used in) operating activities		**29,546,946**	(29,414,562)	**(7,079,676)**	7,450,059	**22,467,270**	(21,964,503)

(All amounts in Saudi Riyals unless otherwise stated)

25 SUPPLEMENTARY INFORMATION (continued)

25.4 Statement of cash flows (continued)

	Notes	Insurance Operations		Shareholders' Operations		Total	
		2022	2021	**2022**	2021	**2022**	2021
Surplus paid to policy holders		**-**	(5,577,137)	**-**	-	**-**	(5,577,137)
Employees' end-of-service benefits paid	13	**(4,349,506)**	(918,169)	**-**	-	**(4,349,506)**	(918,169)
Zakat paid	14b	**-**	-	**(7,174,774)**	(9,198,273)	**(7,174,774)**	(9,198,273)
Net cash generated from/(used in) operating activities		**25,197,440**	(35,909,868)	**(14,254,450)**	(1,748,214)	**10,942,990**	(37,658,082)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions of property and equipment	10	**(1,724,573)**	(3,677,799)	**(21,421,902)**	-	**(23,146,475)**	(3,677,799)
Additions of intangible assets	10	**(1,791,054)**	(3,478,631)	**-**	-	**(1,791,054)**	(3,478,631)
Addition in held-to-maturity investment		**-**	-	**-**	(40,000,000)	**-**	(40,000,000)
Additions in fair value through profit or loss investments		**(2,042,855)**	-	**(1,409,774)**	(107,351)	**(3,452,629)**	(107,351)
Proceed on disposal of fair value through profit or loss investments		**15,273,645**		**93,004,335**	-	**108,277,980**	
Additions in murabaha deposits		**(784,187,398)**	(45,000,000)	**(667,413,052)**	(138,000,000)	**(1,451,600,450)**	(183,000,000)
Proceed on disposal of murabaha deposits		**752,711,194**	82,950,565	**592,766,236**	187,000,000	**1,345,477,430**	269,950,565
Net cash (used in)/generated from investing activities		**(21,761,041)**	30,794,135	**(4,474,157)**	8,892,649	**(26,235,198)**	39,686,784
CASH FLOWS FROM FINANCING ACTIVITY							
Due to shareholders' operations, net		**(12,246,230)**	(805,132)	**12,246,230**	805,132	**-**	-
Net cash (used in)/generated from financing activity		**(12,246,230)**	(805,132)	**12,246,230**	805,132	**-**	-
Net change in cash and cash equivalents		**(8,809,831)**	(5,920,865)	**(6,482,377)**	7,949,567	**(15,292,208)**	2,028,702
Cash and cash equivalents at the beginning of the year	4	**41,770,297**	47,691,162	**10,258,132**	2,308,565	**52,028,429**	49,999,727
Cash and cash equivalents at the end of the year	4	**32,960,466**	41,770,297	**3,775,755**	10,258,132	**36,736,221**	52,028,429
Supplemental non-cash information:							
Actuarial loss on remeasurement of employees' end-of-service benefits	13	**2,393,248**	(1,134,479)	**-**	-	**2,393,248**	(1,134,479)

26 APPROVAL OF FINANCIAL STATEMENTS

The financial statements was authorized for issue in accordance with a resolution of the Board of Directors on 29 Shaban 1444H (corresponding to 21 March 2023).