AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Al-Etihad Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

***Key Audit Matters** (Continued)*

Key Audit Matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at December 31, 2021, outstanding claims, claims incurred but not reported (IBNR), additional premium reserves and other technical reserves amounted to Saudi Riyals 242.7 million, Saudi Riyals 94.59 million, Saudi Riyals 14.85 million and Saudi Riyals 8.39 million respectively as reported in Note 9.1 to the financial statements.	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.
The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.	We evaluated the competence, capabilities, and objectivity of the management's actuarial expert by examining their professional qualifications and experiences
In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.	In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.
We considered this as a key audit matter since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability.	In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following: • Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior years; • Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge; and • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.
The Company's disclosures about the significant accounting policies of the above-mentioned key audit matter is included in Note 3 to the financial statements.	

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2021 Annual Report

Management is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditors' responsibilities for the audit of the financial statements *(Continued)*

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Auditors' responsibilities for the audit of the financial statements *(Continued)*

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

For AlKharashi & Co.
Certified Accountants and Auditors

P.O. Box 8306
Riyadh 11482,
Kingdom of Saudi Arabia

Sulieman A. AlKharashi
Certified Public Accountant
License No. 91

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محاسبون و مراجعون قانونيون
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AL-Kharashi Co.

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Certified Public Accountant
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March 8, 2022
5 Sha'aban 1443H

العيوطي وشركاه
محاسبون ومراجعون قانونيون
س.م رقم ٤٠٣٠٢٩١٢٤٥
CERTIFIED PUBLIC ACCOUNTANTS
P.R.4030291245
EL SAYED EL AYOUTY & CO.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	***2021*** ***SR***	*2020* *SR*
ASSETS			
Cash and cash equivalents	5	**535,498,139**	451,715,851
Premiums and reinsurance receivable, net	8	**164,107,400**	197,769,252
Reinsurers' share of unearned premiums	9	**23,550,198**	19,655,533
Reinsurers' share of outstanding claims	9	**77,841,887**	87,201,069
Reinsurers' share of claims incurred but not reported	9	**15,919,310**	16,094,687
Deferred policy acquisition costs	9	**34,263,147**	23,520,274
Investments	7	**232,995,704**	229,956,255
Prepaid expenses and other assets	11	**65,738,691**	52,788,755
Long term/fixed income deposits	6	**407,676,226**	311,269,878
Property and equipment	12	**17,773,176**	15,358,692
Right of use assets	13	**3,673,446**	4,898,768
Goodwill	14	**4,496,500**	4,496,500
Statutory deposit	15	**40,000,000**	40,000,000
Accrued income on statutory deposit		**5,487,213**	5,261,879
TOTAL ASSETS		**1,629,021,037**	1,459,987,393

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2021

	Note	***2021 SR***	*2020 SR*
LIABILITIES			
Accounts payable		**44,796,792**	32,582,419
Accrued and other liabilities	17	**116,350,734**	84,658,698
Lease liability	13	**3,141,919**	3,657,651
Reinsurers' balances payable		**12,946,234**	7,389,868
Unearned premiums	9	**483,495,311**	428,144,746
Unearned reinsurance commission	16	**4,843,821**	4,530,774
Outstanding claims	9	**242,696,925**	213,140,126
Claims incurred but not reported	9	**94,588,729**	97,426,129
Additional premium reserves	9	**14,848,846**	10,939,707
Other technical reserves	9	**8,388,482**	7,761,773
End-of-service indemnities	19	**17,540,258**	18,690,982
Zakat and income tax	24	**25,308,163**	25,325,408
Accrued commission income payable to SAMA		**5,487,213**	5,261,879
TOTAL LIABILITIES		**1,074,433,427**	939,510,160
Accumulated surplus payable	18	**2,508,583**	11,572,732
Re-measurement actuarial loss on end of service indemnities		**(2,282,286)**	(3,651,355)
TOTAL ACCUMULATED SURPLUS AND RESERVES		**226,297**	7,921,377
SHAREHOLDERS' EQUITY			
Share capital	25	**400,000,000**	400,000,000
Statutory reserve	26	**36,298,116**	29,611,653
Retained earnings		**100,478,049**	73,732,195
Fair value reserve on investments		**17,585,148**	9,212,008
TOTAL SHAREHOLDERS' EQUITY		**554,361,313**	512,555,856
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		**1,629,021,037**	1,459,987,393

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	***2021 SR***	*2020 SR*
REVENUES			
Gross written premiums	9	**865,477,511**	741,665,407
Less: Reinsurance premiums ceded			
- Local		**(2,804,614)**	(1,164,812)
- Foreign		**(50,600,854)**	(44,845,727)
Excess of loss premium		**(19,730,073)**	(14,239,143)
Net premiums written	9	**792,341,970**	681,415,725
Changes in unearned premiums, net		**(51,455,900)**	44,099,228
Net premiums earned	9	**740,886,070**	725,514,953
Reinsurance commission income	16	**10,603,944**	11,180,812
Other underwriting income	23	**13,148,078**	18,480,690
TOTAL REVENUES		**764,638,092**	755,176,455
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(540,949,709)**	(524,594,357)
Reinsurers' share of claims paid		**17,391,608**	16,711,957
Net claims and other benefits paid		**(523,558,101)**	(507,882,400)
Changes in outstanding claims, net		**(38,915,980)**	(6,138,086)
Changes in claims incurred but not reported, net		**2,662,023**	33,938,545
Change in other technical reserves, net		**(626,709)**	(1,594,611)
Net claims and other benefits incurred		**(560,438,767)**	(481,676,552)
Additional premium reserves		**(3,909,139)**	11,816,499
Policy acquisition costs	9	**(55,076,735)**	(40,451,638)
Other underwriting expenses		**(49,946,869)**	(27,413,480)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(669,371,510)**	(537,725,171)
NET UNDERWRITING INCOME		**95,266,582**	217,451,284

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	***2021 SR***	*2020 SR*
OTHER OPERATING (EXPENSES) / INCOME			
Reversal of / (Allowance) for doubtful debts	8	**8,250,069**	(19,528,298)
General and administrative expenses	21	**(88,924,856)**	(93,982,138)
Murabaha income on deposits	22	**5,027,197**	12,971,131
Realized gain/(loss)/(impairment) on investments	22	**21,279,582**	(72,548,323)
Dividend and investment income	22	**8,501,476**	7,952,822
Investment expenses		**(934,024)**	(610,509)
Finance cost	13	**(134,268)**	(48,189)
Others		**2,609,142**	29,070
TOTAL OTHER OPERATING EXPENSES, NET		**(44,325,682)**	(165,764,434)
Total income for the year before surplus attribution and zakat and income tax		**50,940,900**	51,686,850
Surplus attributed to the insurance operations		**(2,508,583)**	(11,572,732)
Total income for the year before zakat and income tax		**48,432,317**	40,114,118
Zakat and income tax expense	24	**(15,000,000)**	(12,500,000)
Total income for the year attributable to the shareholders		**33,432,317**	27,614,118
Total income for the year attributable to the shareholders and insurance operations		**35,940,900**	39,186,850
Earnings per share			
Weighted average number of outstanding shares	27	**40,000,000**	40,000,000
Basic and diluted earnings per share	27	**0.84**	0.69

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 *SR*	*2020* *SR*
Total income for the year attributable to the shareholders and insurance operations	**35,940,900**	39,186,850
Other comprehensive income		
Items that are classified or will be reclassified to statement of income in subsequent years		
Unrealized fair value changes in available-for-sale investments	**26,909,812**	6,359,527
Realization of (gain)/ loss / impairment on sale of available for sale investment	**(18,536,672)**	(1,707,556)
Items that will not be reclassified to statement of income in subsequent years		
Actuarial gain / (loss) on end of service indemnities	**1,369,069**	(1,073,777)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**45,683,109**	42,765,044
Total comprehensive income attributable to the insurance operations	**(3,877,652)**	(10,498,955)
Total comprehensive income for the year attributable to the shareholders	**41,805,457**	32,266,089

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

2021	**Notes**	**Share capital SR**	**Statutory reserve SR**	**Retained earnings SR**	**Fair value reserve on investments SR**	**Total SR**
Balance at the beginning of the year		**400,000,000**	**29,611,653**	**73,732,195**	**9,212,008**	**512,555,856**
Net income for the year attributable to shareholders		-	-	**33,432,317**	-	**33,432,317**
Transfer to statutory reserves		-	**6,686,463**	**(6,686,463)**	-	-
Unrealized fair value changes in available-for-sale investments	7	-	-	-	**26,909,812**	**26,909,812**
Realization of (gain)/ loss / impairment on sale of available for sale investment	7	-	-	-	**(18,536,672)**	**(18,536,672)**
Balance at the end of the year		**400,000,000**	**36,298,116**	**100,478,049**	**17,585,148**	**554,361,313**

2020	**Notes**	**Share capital SR**	**Statutory reserve SR**	**Retained earnings SR**	**Fair value reserve on investments SR**	**Total SR**
Balance at the beginning of the year		400,000,000	24,088,829	51,640,901	4,560,037	480,289,767
Net income for the year attributable to shareholders		-	-	27,614,118	-	27,614,118
Transfer to statutory reserves		-	5,522,824	(5,522,824)	-	-
Unrealized fair value changes in available-for-sale investments	7	-	-	-	6,359,527	6,359,527
Realization of (gain)/ loss / impairment on sale of available for sale investment	7	-	-	-	(1,707,556)	(1,707,556)
Balance at the end of the year		400,000,000	29,611,653	73,732,195	9,212,008	512,555,856

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	*2021* *SR*	*2020* *SR*
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income for the year before surplus attribution and zakat and income tax		**50,940,900**	51,686,850
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**3,417,793**	3,244,491
Depreciation charge of right to use assets	13	**1,225,322**	610,892
Gain on disposal of property and equipment		**1,135**	-
Allowance for doubtful debts	8	**(8,250,069)**	19,528,298
Realized (gain)/loss/impairment on investments		**(21,279,582)**	72,548,323
Dividends reinvested	7	**(14,869)**	(273,473)
Finance cost	13	**134,268**	48,189
Provision for end-of-service indemnities	19	**3,640,366**	3,304,322
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**35,199,662**	(39,847,836)
Reinsurers' share of unearned premiums		**(3,894,665)**	2,477,712
Reinsurers' share of outstanding claims		**9,359,182**	(21,655,201)
Reinsurers' share of claims Incurred but not reported		**175,377**	(1,930,175)
Deferred policy acquisition costs		**(10,742,873)**	(353,483)
Prepaid expenses and other assets		**(12,949,936)**	(22,087,625)
Accounts payables		**12,214,373**	(6,951,209)
Accrued and other liabilities		**26,832,377**	927,152
Reinsurers' balances payable		**5,556,366**	(4,695,096)
Unearned premiums		**55,350,565**	(46,576,940)
Unearned reinsurance commission		**313,047**	(400,642)
Outstanding claims		**29,556,799**	27,793,288
Claims incurred but not reported		**(2,837,400)**	(32,008,370)
Additional premium reserves		**3,909,139**	(11,816,499)
Other technical reserves		**626,709**	1,594,611
		178,483,986	(4,832,421)
End-of-service indemnities paid	19	**(3,422,021)**	(688,708)
Surplus paid to policy holders		**(814)**	-
Zakat and income tax paid	24	**(15,017,245)**	(13,849,796)
Net cash generated from / (used in) operating activities		**160,043,906**	(19,370,925)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals / (Additions) in investments, net		**26,628,142**	(57,569,835)
(Additions) / disposals in long term/fixed income deposits		**(96,406,348)**	151,560,884
Lease payment	13	**(650,000)**	(1,501,862)
Additions in property and equipment, net	12	**(5,833,412)**	(4,466,710)
Net cash (used in) / generated from investing activities		**(76,261,618)**	88,022,477
NET CHANGE IN CASH AND CASH EQUIVALENTS		**83,782,288**	68,651,552
Cash and cash equivalents at the beginning of the year		**451,715,851**	383,064,299
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**535,498,139**	451,715,851
Non-Cash Information			
Unrealized gain on available for sale investments	7	**26,909,812**	6,359,527
Realization of gain/ (loss)/ impairment on sale of available-for-sale-investment	7	**(18,536,672)**	(1,707,556)
Surplus transferred to undistributed surplus account (liability)		**4,859,659**	2,405,199
Surplus transferred to customers' accounts		**6,712,259**	3,044,417

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al-Etihad Cooperative Insurance Company (A Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to 30 January 2008. The registered address of the Company's head office is as follows:

Al-Etihad Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Khobar 31952, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and it's implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident and others.

On 31 July 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On 23 Rabea I 1429H, corresponding to 31 March 2008, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On 29 December 2021, the company received SAMA approval to add Protection and Saving insurance to the Company's license. The company will start for issuing policies related to protection and saving in the subsequent period of the financial statement's reporting date.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Charted and Professional Accountants ("SOCPA").

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments in held for trading and investments available for sale and defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. Except for property and equipment, intangibles, statutory deposit, goodwill, end-of-service indemnities, accrued income on statutory deposit and engineering related unearned premiums, unearned reinsurance commission, deferred policy acquisition cost, outstanding claims, claims incurred but not reported and technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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 under note 33. 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, statements of income, comprehensive income and cash flows of the insurance operations and shareholder's operations which are presented in note 33 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, other comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized gains or losses, if any, are eliminated in full. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest Riyal, except where otherwise indicated.

The Company follows a fiscal year ending December 31.
There are no seasonal changing that may affect insurance operations of the company.

(b) Critical accounting judgments, estimates and assumptions

The preparation of financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this financial statement, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended December 31, 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, please see below. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

Impact of COVID-19 on the medical technical reserves, the motor technical reserves and the financial assets

On March 11, 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the Country and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavorable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cash flows of the insurance contracts in force as at September 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR nil as December 31,2021 (December 31, 2020: SR 1.6 million) as a premium deficiency reserve.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months' period.

"For new retail motor policies issued as per above circular, the premium is earned over the period of 12 months as the impact of earnings over the period of coverage. i.e. 14 months are not considered significant by the management for the period ended September 30, 2020 and subsequent periods. "

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumptions (Continued)

Motor technical reserves (continued)

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") level for motor line of business and recorded a Premium deficiency reserve amounting to SR nil as of December 31, 2021 (As at December 31, 2020 SAR 5.62 million).

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.
Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for year ended December 31, 2021. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified certain sector like construction, education, hospitality industry, etc. being impacted significantly by the Covid-19 pandemic and lower oil prices.

(c) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except for adoption of the new standards, interpretations and amendments to existing standards mentioned below, which are effective from period beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2021, however, management anticipates that these amendments will not have any material effect on the Company's financial statement.

3.2 New standards ,amendments and revised IFRS issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statement 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.

Amendments to standard	***Description***	***Effective for annual years beginning on or after the following date***
IFRS 16, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS3	Reference to the Conceptual Framework	January 1, 2022
IAS1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application expect for IFRS 17 and IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 17 – Insurance Contracts

Overview

This standard has been published on May 18, 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

i. embedded derivatives, if they meet certain specified criteria;
ii. distinct investment components; and
iii. any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS9 and IFRS15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following "building blocks":

a) the fulfilment cash flows (FCF), which comprise:

- probability-weighted estimates of future cash flows,
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
- and a risk adjustment for non-financial risk;

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of change in discount rates will be reported in either profit or loss or other comprehensive income, determined by any accounting policy choice.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 17 – Insurance Contracts (continue)

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition under GMM, the CSM is also adjusted for:

i. the entity's share of the changes in fair value of underlying items,
ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023. This is a deferral of 1 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, together with amendments to presentation and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 17 – Insurance Contracts (Continued)

Impact

The Company has completed and submitted phase 3 of IFRS 17 "Design and implementation plan" which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase:

Impact Area	Summary of Impact
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company has completed the operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also, the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working with system provider to finalize various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders.
Assurance plan	The Company has completed and submitted the assurance plan for transitional and post-implementation periods.

During the period, the company has received SAMA's instructions for Phase 4 of the project which is "Implementation and Dry Runs". The instructions clarify the scope of work required in this phase and the time intervals of dry runs to be completed.

During the period, the company has submitted the first dry run for the year ended December 31,2020 according to the implementation plan of SAMA. The company currently is working with its IFRS 17 working group to plan and implement the second dry run dedicated to the year ended December 31,2021. The deadline to submit this dry run to SAMA is May 31,2022 and the company is satisfy that the second dry run will be completed and delivered on time.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 9 – Financial Instruments

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. A financial asset is measured at amortized cost if both:

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The financial asset is measured at fair value through other comprehensive income and realized gains or losses are recycled through profit or loss upon sale, if both conditions are met:

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and

ii. the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

b) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 9 – Financial Instruments (Continued)

c) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of

    a. the effective date of a new insurance contract standard; or

    b. annual reporting periods beginning on or after January 1, 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022.
    Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the year, additional disclosures are required.

The Company has performed a detailed assessment beginning January 01, 2017:

(1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and

(2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (continue)

IFRS 9 – Financial Instruments (Continued)

Impact assessment

As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SR 1,415 million (December 31, 2020 SR 1,265 million) and SR 151 million (December 31, 2020 SR 146 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 1,227 million (December 2020: SR 1,081 million). The Company does not have any unit linked investments held at fair value through statement of income as at December 31, 2021 and December 31, 2020 respectively. The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are as disclosed in the financial statements for the year ended December 31, 2021. The Company financial assets have low credit risk as at December 31, 2021 and December 31, 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

3.2 Summary of Significant Accounting Policies

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

Product classification

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

Investment contracts
Investment contracts are those contracts that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Summary of Significant Accounting Policies (Continued)

Goodwill
Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Property and equipment
Property and equipment are initially recorded at cost and are carried subsequently at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. 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. Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Leasehold improvements	10
Furniture, fixtures and office equipment	4 - 10
Motor vehicles	4

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

The gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income, net" in the statement of income.

Intangible assets
Intangible assets are initially recorded at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset comprises of software and related implementation costs. All these costs relating to the software package are deferred and amortized using the straight-line method over a period of five years. The amortization expense on intangible assets is recognised in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Policy acquisition costs
Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned. The amortization is recorded in the "Policy Acquisition Cost" in the statement of income.

Financial instruments
Financial instruments is any contract gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments comprise financial assets and financial liabilities.

The Company's financial assets include cash and cash equivalents, investments held for trading, investments available for sale, premiums and insurance balances receivable, reinsurer's share of outstanding claims, amounts due from related parties, amounts due from shareholders and other assets.

Its financial liabilities consist of gross outstanding claims, reinsurance balances payable, accounts payable, amounts due to related parties, amounts due to shareholder's operations, statutory deposit commission income payable and other liabilities.

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2 - quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 - valuation techniques for which any significant input is not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Fair values measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Investments
All investments, excluding those held for trading, are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the Investments.

Investments held for trading
Investments which are bought with the intention of resale in the short term are classified as trading investments. Such investments are measured and carried in the financial position at fair value. Unrealised gains and losses are included in the statement of income for the financial period.

Investments available for sale
These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of comprehensive income. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the statement of income.

Determination of fair values of investments
For investment traded in active market, fair value is determined by reference to quoted market bid prices. For unquoted equity investments, fair value is determined by reference to the market value of similar investments or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

De-recognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Company has transferred substantially all the risks and rewards of the asset, or
(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Impairment of financial assets

Financial assets carried at amortized cost
The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

Available-for-sale investments
The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from shareholders' equity and recognized in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at cost
Impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in the statement of income.

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Company performs its annual impairment test of goodwill as at 31 December.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Company to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

Premiums receivable and reinsurance receivable
Premiums receivable and reinsurance receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for services received, whether or not billed to the Company.

Revenue recognition

Premium and reinsurance commissions
Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

- Premium written in last three months of the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

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.

Interest income
Interest income from time deposits is recognized on an accrual basis.

Dividend income
Dividend income is recognised when the right to receive a dividend is established.

Claims
Gross claims consist of benefits and claims paid to policyholders and third parties, and related loss adjustments expenses, net of salvage and other recoveries and are charged to the statement of income as incurred changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses.
Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Claims (Continued)

Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income of 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 liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks.

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each statement of financial position date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premium and claims on assumed reinsurance are recognised as revenue 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.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Reinsurance (Continued)

Premium and claims are presented on a gross basis.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

Deferred policy acquisition costs ("DAC")
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition DAC is amortised over the period in which the related revenue is earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of income.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC is also considered in the liability adequacy test for each reporting period. DAC is derecognised when the related contracts are either settled or disposed of.

Salvage and subrogation reimbursement
Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

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.

Unearned reinsurance commission income
Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable. Amortisation is recorded in the statement of income.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency.

End-of-service indemnities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service indemnities, which qualify as defined benefit plans. Accruals to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the benefits. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the effect of the changes to the asset ceiling, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in statement of comprehensive income in the period in which they occur. Remeasurement recognised in statement of comprehensive income is reflected as a reserve under net surplus from insurance operations after shareholders' appropriation and will not be reclassified to statement of income. Past service cost is recognised in statement of income in the period of a plan amendment.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals ("SR") at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in statements of income and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at banks and time deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Statutory reserve
In accordance with the Law on Supervision of Cooperative Insurance Companies and the by-laws of the Company, the Company shall set aside 20% of shareholders' net income in each year to the statutory reserve until it has built up a reserve equal to the share capital. This reserve is not available for dividend distribution.

Zakat and income tax
Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulation and are charged to the statement of changes in shareholders' equity. The zakat charge is computed on the Saudi shareholder's share of the zakat base. Income tax is computed on the foreign shareholder's share of adjusted net income. Additional amounts, if any, that may become due on finalization of an assessment are recorded in the year in which the assessment is finalised.

Operating leases
Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

Offsetting financial assets and liabilities
Financial assets and 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income and statement of other comprehensive income unless required or permitted by any accounting standard or interpretation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Summary of Significant Accounting Policies (Continued)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenue and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance including corporate, individual and group business insurance.
- Property insurance, which covers fire and allied perils, property all risks.
- Engineering, which provides coverage against the Contractors' All Risks (CAR), Erection All Risks (EAR), Machinery All Risks (MAR), etc.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- General accident which provides coverage against the loss of money, personal accident, workmen's compensation, travel, general third-party liability and professional indemnity and
- Others which mainly includes the marine cargo and marine hull insurance.

Segments performance is evaluated based on profit or loss which in certain aspects is measured differently from profit and loss in the financial statements.

Other classes, which covers any other classes of insurance not included above. Operating segments do not include shareholders' operation of the Company.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

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.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Initial recognition of investments
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Impairment of equity investments
The Company treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. A period of six months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Estimation and assumptions:
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

Fair value measurement of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS. (Continued)

Estimation and assumptions (Continued)

Valuation of insurance contract liabilities

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is the Company's past claims settlement experience can be used to project future claims settlement and hence ultimate claims costs. As such, these methods extrapolate the settlement of paid and incurred losses, average costs per claim and claim numbers based on the observed settlement of earlier years and expected loss ratios. Historical claims settlement 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 settlement.

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 settlement data on which the projections are based. Additional qualitative judgment 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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. The Company classifies balances as "past due but not impaired (note 8) on the basis of the guidelines given by SAMA.

Deferred policy acquisition costs ("DAC")

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation and assumptions (Continued)

Useful life of property and equipment
The Company's management determines the estimated useful lives of its property and equipment before calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Goodwill impairment testing
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CASH AND CASH EQUIVALENTS

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

	Insurance operations		***Shareholders' operations***	
	2021	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*
Cash at banks				
- Current accounts	**181,017,956**	91,019,603	**8,023,814**	10,102,653
- Money market fund	**206,400,984**	237,210,762	**140,055,385**	22,918,276
- Short term deposits	**-**	45,000,000	**-**	45,464,557
	387,418,940	373,230,365	**148,079,199**	78,485,486

Cash at banks and units in money market funds are placed with counterparties that have high credit reliability.

Short-term deposits are placed with local and foreign banks with an original maturity of less than three months from the date of placement knowing that the company has not placed any new short term deposits during 2021 (average short deposit commission income rate of 2020: 1.55% to 1.57%) per annum.

6. LONG TERM/FIXED INCOME DEPOSITS

Time deposits are placed with local banks with an original maturity of more than three months from the date of placement. These deposits earn commission income at an average rate of 0.62% to 2.3% (2020: 0.85% to 3.1%) per annum.

7. INVESTMENTS

Investments are classified as follows:

	Insurance operations		Shareholders' operations	
	2021	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*
Available-for-sale investments (A)	**-**	**-**	**187,475,702**	183,120,371
Held to maturity (B)	**-**	**-**	**19,687,500**	19,687,500
Other investments held at amortized cost (C)	**-**	**-**	**25,832,502**	27,148,384
	-	**-**	**232,995,704**	229,956,255

Investment securities are classified as follows:

A. Investments available-for-sale:

Category wise analysis is as follows:

Shareholders' Operations

	Domestic		International		Total	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*
Equity securities	**72,654,792**	63,828,502	**20,881,742**	27,041,783	**93,536,534**	90,870,285
Mutual funds	**93,939,168**	91,974,445	**-**	275,641	**93,939,168**	92,250,086
Investments available for sale	**166,593,960**	155,802,947	**20,881,742**	27,317,424	**187,475,702**	183,120,371

7. **INVESTMENTS** (Continued)

A. **Investments available for sale** (Continued):

Movement in investments available for sale is as follows:

Shareholders' Operations

	Quoted Securities	***Unquoted***	***Total***
	SR	***SR***	***SR***
At January 1, 2020	52,704,329	72,206,220	124,910,549
Acquisitions during the year	99,816,444	-	99,816,444
Disposals during the year	(41,099,173)	(1,147,436)	(42,246,609)
Realization of (losses)/gains on disposal-of-available for sale investments	(3,520,554)	1,812,998	(1,707,556)
Unrealized fair value changes in AFS	6,874,289	(514,762)	6,359,527
Realized gains	3,520,553	-	3,520,553
Impairment recognized during the year	-	(7,806,010)	(7,806,010)
Dividends re-invested	-	273,473	273,473
	118,295,888	64,824,483	183,120,371
At December 31, 2020			
Acquisitions during the year	**52,594,985**	**-**	**52,594,985**
Disposals during the year	**(64,226,718)**	**(14,948,912)**	**(79,175,630)**
Realization of losses on disposal of available-for-sale investments	**(14,712,694)**	**(3,823,978)**	**(18,536,672)**
Unrealized fair value changes in AFS	**18,035,455**	**8,874,357**	**26,909,812**
Realized gains	**14,712,694**	**7,835,273**	**22,547,967**
Dividends re-invested	**-**	**14,869**	**14,869**
At December 31, 2021	**124,699,610**	**62,776,092**	**187,475,702**

Management has performed a review of the investments available for sale to assess whether impairment has occurred in the value of these investments. Based on specific information, management is of the view that no further impairment is required in respect of the investments available for sale other than disclosed above.

B. Investments held to maturity:

Shareholders' Operations

	Domestic		**International**		**Total**	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*
Sukuks	**12,187,500**	12,187,500	**7,500,000**	7,500,000	**19,687,500**	19,687,500
Investments held to Maturity	**12,187,500**	12,187,500	**7,500,000**	7,500,000	**19,687,500**	19,687,500

7. INVESTMENTS (Continued)

B. Investments held to maturity (continue):

Movements in investments held to maturity is as follows:

	Quoted securities SR	*Unquoted securities SR*	*Total SR*
At January 1, 2020	**19,687,500**	**-**	**19,687,500**
Acquisitions during the year	**-**	**-**	**-**
Disposals during the year	**-**	**-**	**-**
Realized losses	**-**	**-**	**-**
At December 31, 2020	**19,687,500**	**-**	**19,687,500**

	Quoted securities SR	*Unquoted securities SR*	*Total SR*
At January 1, 2020	**19,687,500**	**-**	**19,687,500**
Acquisitions during the year	**-**	**-**	**-**
Disposals during the year	**-**	**-**	**-**
Realized losses	**-**	**-**	**-**
At December 31, 2021	**19,687,500**	**-**	**19,687,500**

C. Other investments at amortized cost

	2021 SR	*2020 SR (Note 33)*
At January 1, 2020	**27,148,384**	95,411,250
Disposals during the year	**(47,497)**	-
Impairment	**(1,268,385)**	(68,262,866)
As at December 31,2021	**25,832,502**	27,148,384

The Company had "Other investment held at amortized cost" amounting to SR 95.4 million with a CMA licensed financial institution registered in KSA with fixed maturity term of 1 year with option to further renew. Till year 2019, the management of the Company used to regularly renew its deposit maturity with additional term of 1 year. During the previous year, on maturity of the terms of the respective investments, the Company decided not to renew and to liquidated the investments, however it was informed by the respective CMA registered financial institution that the underlying investment made by the financial institution could not be liquidate currently as per the maturity terms of the contract entered. As on December 31, 2021, the management of the Company has performed a detailed assessment of such investments which resulted in the impairment of the underlying investment held in the amount of SR 1,3 million (2020:SR 68.3)

8. PREMIUMS AND REINSURANCE RECEIVABLE, NET

	2021 ***SR***	*2020* *SR*
Policyholders	**268,674,104**	313,773,432
Brokers and agents	**24,692,109**	19,080,862
Receivables from reinsurance companies	**6,824,553**	9,222,691
Premiums and reinsurance receivables from related parties (note 20)	**25,268**	50,970
Premiums and reinsurers' receivable – gross	**300,216,034**	342,127,955
Less: allowance for doubtful debts, net	**(136,108,634)**	(144,358,703)
Premiums and reinsurers' receivable – net	**164,107,400**	197,769,252

The movements in the allowance for doubtful debts are as follows:

	2021 ***SR***	*2020* *SR*
As at January 1	**144,358,703**	124,830,405
Allowance for doubtful debts for the year	**(8,250,069)**	19,528,298
As at December 31	**136,108,634**	144,358,703

The aging analysis of unimpaired premiums and insurance balances receivable at the year-end is set out below:

2021	**Neither past due nor impaired**	**Past due net of impaired**			
Amounts in SR	**Less than 90 days**	**91 to 180 days**	**181 to 360 days**	**More than 360 days**	**Total**
Premiums receivable	**97,205,112**	**21,450,795**	**18,823,545**	**14,248,829**	**151,728,281**
Brokers and agents	**8,047,300**	**232,805**	**404,354**	**580,724**	**9,265,183**
Receivables from reinsurance companies	**2,095,174**	**202,910**	**45,752**	**744,832**	**3,088,668**
Related parties	**25,268**	**-**	**-**	**-**	**25,268**
December 31, 2021	**107,372,854**	**21,886,510**	**19,273,651**	**15,574,385**	**164,107,400**

2020	**Neither past due nor impaired**	**Past due net of impaired**			
Amounts in SR	**Less than 90 days**	**91 to 180 days**	**181 to 360 days**	**More than 360 days**	**Total**
Premiums receivable	123,433,996	40,927,340	11,276,892	14,339,050	189,977,278
Brokers and agents	2,976,796	537,565	49,828	516,172	4,080,361
Receivables from reinsurance companies	2,283,943	152,983	300,903	923,095	3,660,924
Related parties	49,094	1,595	-	-	50,689
December 31, 2020	128,743,829	41,619,483	11,627,623	15,778,317	197,769,252

8. PREMIUMS AND REINSURANCE RECEIVABLES, NET (Continued)

Premiums and reinsurance balances receivables comprise a large number of customers and related parties mainly within the Kingdom of Saudi Arabia The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsures normally require settlement if the balance exceeds a certain agreed amount. No individual, company or broker, accounts for more than 9% of the gross premium's receivable as at December 31, 2021 (2020: 13%). In addition, the five largest receivables account for 28% of the gross premium's receivable as at December 31, 2021 (2020: 35%).

9. TECHNICAL RESERVES

9. 1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021 ***SR***	*2020* *SR*
Gross outstanding claims	**273,901,048**	249,186,571
Less: Realizable value of salvage and subrogation	**(31,204,123)**	(36,046,445)
	242,696,925	213,140,126
Claims incurred but not reported	**94,588,729**	97,426,129
Additional premium reserve	**14,848,846**	10,939,707
Other technical reserve	**8,388,482**	7,761,773
	360,522,982	329,267,735
Less:		
- Reinsurers' share of outstanding claims	**(77,841,887)**	(87,201,069)
- Reinsurers' share of claims incurred but not reported	**(15,919,310)**	(16,094,687)
Net outstanding claims and reserves	**266,761,785**	225,971,979

9. TECHNICAL RESERVES

9. 2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Year ended December 31, 2021		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**428,144,746**	**(19,655,533)**	**408,489,213**
Premium written during the year	**865,477,511**	**(73,135,541)**	**792,341,970**
Premium earned during the year	**(810,126,946)**	**69,240,876**	**(740,886,070)**
Balance as at the end of the year	**483,495,311**	**(23,550,198)**	**459,945,113**

	Year-ended December 31, 2020		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	474,721,686	(22,133,245)	452,588,441
Premium written during the year	741,665,407	(60,249,682)	681,415,725
Premium earned during the year	(788,242,347)	62,727,394	(725,514,953)
Balance as at the end of the year	428,144,746	(19,655,533)	408,489,213

9. 3 Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2021	*2020*
	SR	*SR*
Balance as at the beginning of the year	**23,520,274**	23,166,791
Incurred during the year	**65,819,608**	40,805,121
Amortized during the year	**(55,076,735)**	(40,451,638)
Balance as at the end of the year	**34,263,147**	23,520,274

10. CLAIMS DEVELOPMENT

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting 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 cumulative claims estimate and cumulative payments are in Saudi Riyal.

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision’s adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

10. CLAIMS DEVELOPMENT (Continued)

a) Claims development table gross of reinsurance:

2021 ***Accident year or Underwriting year***	***Before 2017*** ***SR***	***2017*** ***SR***	***2018*** ***SR***	***2019*** ***SR***	***2020*** ***SR***	***2021*** ***SR***	***Total*** ***SR***
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year		**493,141,139**	**490,980,616**	**723,510,782**	**572,749,025**	**630,473,114**	**630,473,114**
- One year later		**528,540,538**	**539,207,353**	**678,533,772**	**549,825,819**	**-**	**549,825,819**
- Two years later		**494,464,575**	**526,731,720**	**663,805,707**	**-**	**-**	**663,805,707**
- Three years later		**496,838,341**	**530,451,444**	**-**	**-**	**-**	**530,451,444**
- Four years later		**497,870,226**	**-**	**-**	**-**	**-**	**497,870,226**
Reserve in respect of prior years	**30,167,250**						**30,167,250**
Current estimate of cumulative claims	**30,167,250**	**497,870,226**	**530,451,444**	**663,805,707**	**549,825,819**	**630,473,114**	**2,902,593,560**
Cumulative payments to date	**-**	**(482,509,559)**	**(511,943,672)**	**(646,456,085)**	**(491,762,619)**	**(432,635,971)**	**(2,565,307,906)**
Liability recognised in the statement of financial position	**30,167,250**	**15,360,667**	**18,507,772**	**17,349,622**	**58,063,200**	**197,837,143**	**337,285,654**
Outstanding claims and IBNR							**337,285,654**

2020 ***Accident year or Underwriting year***	***Before 2016*** ***SR***	***2016*** ***SR***	***2017*** ***SR***	***2018*** ***SR***	***2019*** ***SR***	***2020*** ***SR***	***Total*** ***SR***
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year		651,105,806	493,141,139	490,980,616	723,510,782	572,749,025	572,749,025
- One year later		603,514,242	528,540,538	539,207,353	678,533,772	-	678,533,772
- Two years later		610,281,842	494,464,575	526,731,720	-	-	526,731,720
- Three years later		602,485,060	496,838,341	-	-	-	496,838,341
- Four years later		600,256,191	-	-	-	-	600,256,191
Reserve in respect of prior years	48,852,135						48,852,135
Current estimate of cumulative claims	48,852,135	600,256,191	496,838,341	526,731,720	678,533,772	572,749,025	2,923,961,184
Cumulative payments to date	-	(579,472,878)	(480,434,164)	(507,372,810)	(637,001,720)	(409,113,357)	(2,613,394,929)
Liability recognised in the statement of financial position	48,852,135	20,783,313	16,404,177	19,358,910	41,532,052	163,635,668	310,566,255
Outstanding claims and IBNR							310,566,255

10. CLAIMS DEVELOPMENT (Continued)

b) Claims development table net of reinsurance:

2021 ***Accident year or Underwriting year***	***Before 2017*** ***SR***	***2017*** ***SR***	***2018*** ***SR***	***2019*** ***SR***	***2020*** ***SR***	***2021*** ***SR***	***Total*** ***SR***
Estimate of ultimate claims cost net of reinsurance:							
- At the end of the accident year		**391,264,753**	**492,777,304**	**698,293,633**	**516,715,588**	**580,609,259**	**580,609,259**
- One year later		**454,094,648**	**476,021,069**	**651,408,818**	**499,457,724**	**-**	**499,457,724**
- Two years later		**427,903,943**	**474,474,756**	**650,497,528**	**-**	**-**	**650,497,528**
- Three years later		**428,544,066**	**478,626,255**	**-**	**-**	**-**	**478,626,255**
- Four years later		**431,693,454**	**-**	**-**	**-**	**-**	**431,693,454**
Reserve in respect of prior years	**18,069,354**						**18,069,354**
Current estimate of cumulative claims	**18,069,354**	**431,693,454**	**478,626,255**	**650,497,528**	**499,457,724**	**580,609,259**	**2,658,953,574**
Cumulative payments to date	**-**	**(419,786,858)**	**(466,666,707)**	**(635,498,576)**	**(475,994,348)**	**(417,482,628)**	**(2,415,429,117)**
Liability recognised in the statement of financial position	**18,069,354**	**11,906,596**	**11,959,548**	**14,998,952**	**23,463,376**	**163,126,631**	**243,524,457**
Outstanding claims and IBNR							**243,524,457**

2020 *Accident year or Underwriting year*	*Before 2016* *SR*	*2016* *SR*	*2017* *SR*	*2018* *SR*	*2019* *SR*	*2020* *SR*	*Total* *SR*
Estimate of ultimate claims cost net of reinsurance:							
- At the end of the accident year		518,187,614	391,264,753	492,777,304	698,293,633	516,715,588	516,715,588
- One year later		551,827,051	454,094,648	476,021,069	651,408,818	-	651,408,818
- Two years later		557,390,213	427,903,943	474,474,756	-	-	474,474,756
- Three years later		535,122,808	428,544,066	-	-	-	428,544,066
- Four years later		534,164,455	-	-	-	-	534,164,455
Reserve in respect of prior years	25,717,177						25,717,177
Current estimate of cumulative claims	25,717,177	534,164,455	428,544,066	474,474,756	651,408,818	516,715,588	2,631,024,860
Cumulative payments to date	-	(520,148,626)	(417,791,980)	(463,864,214)	(626,622,312)	(395,327,229)	(2,423,754,361)
Liability recognised in the statement of financial position	25,717,177	14,015,829	10,752,086	10,610,542	24,786,506	121,388,359	207,270,499
Outstanding claims and IBNR							207,270,499

11. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations		Shareholders' operations	
	2021	2020	**2021**	2020
	SR	SR	**SR**	SR
Receivable against salvage items	**16,107,654**	11,530,428	**-**	-
Commission receivable	**4,962,548**	9,375,806	**1,004,942**	1,708,898
Other deferrals	**23,624,824**	16,152,626	**-**	-
Advances to service providers	**7,476,798**	3,671,459	**-**	-
Prepaid expenses	**5,700,615**	5,120,310	**-**	-
Other	**6,861,310**	5,229,228	**-**	-
	64,733,749	51,079,857	**1,004,942**	1,708,898

12. PROPERTY AND EQUIPMENT

	Leasehold improvements	*Furniture, fixtures and office equipment*	*Capital work-in -progress*	*Total*
	SR	***SR***	***SR***	***SR***
Cost:				
At January 1, 2020	5,150,757	18,061,700	7,268,202	30,480,659
Additions	-	2,193,990	2,272,720	4,466,710
Transfers	(99,976)	3,072,182	(2,972,206)	-
At December 31, 2020	5,050,781	23,327,872	6,568,716	34,947,369
Additions	**181,121**	**985,747**	**4,954,031**	**6,120,899**
Disposals	**-**	**(2,332)**	**-**	**(2,332)**
Transfer	**2,546,978**	**291,248**	**(2,838,226)**	**-**
Adjustments	**-**	**(10,035)**	**(276,954)**	**(286,989)**
At December 31, 2021	**7,778,880**	**24,592,500**	**8,407,567**	**40,778,947**
Accumulated Depreciation:				
At January 1, 2020	(2,901,898)	(13,442,288)	-	(16,344,186)
Charge for the year	(513,632)	(2,730,859)	-	(3,244,491)
Adjustments	(14,370)	14,370	-	-
At December 31, 2020	(3,429,900)	(16,158,777)	-	(19,588,677)
Charge for the year	**(315,827)**	**(3,101,966)**	**-**	**(3,417,793)**
Transfer	**-**	**699**	**-**	**699**
At December 31, 2021	**(3,745,727)**	**(19,260,044)**	**-**	**(23,005,771)**
Net book value:				
At December 31, 2021	**4,033,153**	**5,332,456**	**8,407,567**	**17,773,176**
At December 31, 2020	**1,620,881**	**7,169,095**	**6,568,716**	**15,358,692**

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	2021	2020
	SR	SR
Right of use assets		
Balance as on January 1,	**4,898,768**	1,629,039
Additions during the year	**-**	3,880,621
Depreciation for the year	**(1,225,322)**	(610,892)
Balance as on December 31,	**3,673,446**	4,898,768

	2021	2020
	SR	SR
Lease liabilities		
Balance as on January 1,	**3,657,651**	1,230,703
Additions during the year	**-**	3,880,621
Finance cost for the year	**134,268**	48,189
Payments made during the year	**(650,000)**	(1,501,862)
Balance as on December 31,	**3,141,919**	3,657,651

The above right of use assets and lease liabilities pertain to office on lease rental.

Expenses pertain to short term and low value lease are SR 2.5 million (2020:SR 2.5 million).

14. GOODWILL

The Company commenced its insurance operations on January 1, 2009. The Company's shareholders approved the transfer of insurance portfolio and net assets of Trade Union Insurance Company B.S.C. (closed) to the Company effective January 1, 2009 upon approval from the respective authorities. Such transfer resulted in goodwill of SR 4.5 million.

As at the reporting date, impairment testing, based on expected discounted cash flows was performed. The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The most significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

- Weighted average cost of capital of 11.2%; and
- Average expected growth rate of 6.8% on earned premium.

Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded the carrying amount of goodwill and accordingly no impairment has been recognized.

A sensitivity analysis has been performed and an increase of 1% of the weighted average cost of capital and a decrease of 0.5% of the average expected growth rate on earned premium have no impact on the result of impairment tests.

15. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. Saudi Arabian Monetary Agency ("SAMA") is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the Implementing Regulations for Insurance Companies, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a local bank and can be withdrawn only with the consent of SAMA.

16. UNEARNED REINSURANCE COMMISSION

	2021 ***SR***	*2020* *SR*
At January 1	**4,530,774**	4,931,416
Reinsurance commission received during the year	**10,916,991**	10,780,170
Reinsurance commission earned during the year	**(10,603,944)**	(11,180,812)
At December 31	**4,843,821**	4,530,774

17. ACCRUED AND OTHER LIABILITIES

	Insurance operations		**Shareholders' operations**	
	2021 **SR**	2020 SR	**2021** **SR**	2020 SR
Due to related parties (Note 20)	**2,441,251**	2,441,251	**-**	-
Accrued expenses	**21,035,370**	7,238,591	**2,094,761**	2,124,761
Undistributed surplus payable (prior years)	**20,198,217**	15,341,507	**-**	-
Withholding tax payable	**221,672**	124,401	**-**	-
VAT payable	**13,794,736**	9,803,148	**-**	-
Claims payable to policy holders	**29,556,879**	23,920,431	**-**	-
Commission payable	**10,603,839**	11,984,965	**-**	-
Other liabilities	**16,338,432**	11,614,066	**65,577**	65,577
	114,190,396	82,468,360	**2,160,338**	2,190,338

18. ACCUMULATED SURPLUS PAYABLE

	2021 ***SR***	*2020* *SR*
Opening surplus distribution payable	**11,572,732**	5,449,616
Total income attributed to the insurance operations during the year	**2,508,583**	11,572,732
Surplus paid/adjusted	**(6,713,073)**	(3,044,417)
Transferred to payables	**(4,859,659)**	(2,405,199)
Closing surplus distribution payable	**2,508,583**	11,572,732

19. END-OF-SERVICE INDEMNITIES

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

19.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2021 ***SR***	*2020* *SR*
Present value of defined benefit obligation	**17,540,258**	18,690,982

	2021 ***SR***	*2020* *SR*
January 1,	**18,690,982**	15,001,591
Charged during the year	**3,640,366**	3,304,322
Actuarial (gain) / loss charged to other comprehensive income	**(1,369,069)**	1,073,777
Paid during the year	**(3,422,021)**	(688,708)
At December 31	**17,540,258**	18,690,982

19.2 Charge to statement of income a for the year:

	2021 ***SR***	*2020* *SR*
Current service cost	**3,210,801**	2,824,439
Interest cost	**429,565**	479,883
Cost recognized in profit or loss	**3,640,366**	3,304,322

19.3 Principal actuarial assumptions

	2021 ***SR***	*2020* *SR*
Discount factor used	**2.30%**	2.30%
Long term Salary increase rate	**5.00%**	5.00%
Mortality rates	**AM (80) mortality table**	AM (80) mortality table
Weighted average duration of defined benefit obligation	**10.37**	11.55
Rates of employee's turnover	**Moderate**	Moderate

19. END-OF-SERVICE INDEMNITIES (Continued)

19.4 Sensitivity analysis on present value of defined benefit obligations plan are as below:

	December 31, 2021		*December 31, 2020*	
	Percentage (%)	***Amount (SR)***	*Percentage (%)*	*Amount (SR)*
Discount rate				
Increase	1.00%	**15,880,761**	1.00%	16,726,279
Decrease	-1.00%	**19,517,839**	-1.00%	21,043,882
Expected changes of salary				
Increase	1.00%	**19,484,873**	1.00%	21,002,559
Decrease	-1.00%	**15,875,467**	-1.00%	16,721,496

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the statement of financial position.

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

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

Related parties	***Nature of transactions***	***2021 SR***	*2020 SR*
Board of Directors	Reinsurance premiums ceded	**1,459,588**	1,283,257
	Reinsurers' share of gross claims	**297,001**	155,637
	Gross written premium	**320,592**	213,924
	Remuneration	**1,400,000**	1,400,000
	Meeting fee and expenses	**207,500**	154,499

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Balances due from/(to) related parties are comprised of the followings:

Related parties	*Balances due from / (to) related parties*	
	2021 SR	*2020 SR*
Affiliates		
Trade Activities Company	**(2,441,251)**	(2,441,251)

Related parties	*Premiums and reinsurance receivables*		*Reinsurance payables*	
	2021 SR	*2020 SR*	***2021 SR***	*2020 SR*
Board members	**25,268**	50,970	**(528,244)**	(252,455)
Total	**25,268**	50,970	**(528,244)**	(252,455)

- Amounts due from/ due to, pertain to transactions conducted with affiliates.
- Prices and terms of payment for these transactions are approved by the management.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the years ended December 31, 2021 and 2020:

2021	**BOD members (Executives)**	**BOD members (Non-Executive)**	**Top Executives including the CEO and CFO**
Salaries and compensation	**-**	**-**	**5,927,973**
Allowances	**-**	**207,500**	**18,890**
Annual remuneration	**-**	**1,400,000**	**1,610,734**
End of service indemnity movement	**-**	**-**	**601,408**
Total	**-**	**1,607,500**	**8,159,005**
Headcount	**-**	**7**	**5**

2020	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	-	6,216,072
Allowances	-	154,499	17,480
Annual remuneration	-	1,400,000	1,557,073
End of service indemnity movement	-	-	555,101
Total	-	1,554,499	8,345,726
Headcount	-	7	5

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,			
	Insurance operations		Shareholders' operations	
	2021	2020	**2021**	2020
	SR	SR	**SR**	SR
Employees' salaries and costs	**60,280,183**	58,956,600	**-**	-
Withholding tax expense	**93,184**	5,112,165	**-**	-
VAT Expense	**1,481,243**	5,712,666	**3,461**	2,611
Employees' end-of-service benefits	**3,640,366**	3,304,322	**-**	-
Professional fees	**2,862,840**	2,618,294	**-**	-
Rent	**2,530,274**	2,542,377	**-**	-
Depreciation	**3,409,303**	3,244,491	**-**	-
Depreciation on right of use assets	**1,225,322**	610,892	**-**	-
Promotion and advertising	**83,156**	56,611	**17,394**	28,291
Stationery	**659,822**	569,872	**-**	-
Repairs and maintenance	**173,551**	147,775	**-**	-
Travel and transport	**186,798**	144,579	**-**	9,523
Utilities	**488,495**	395,556	**-**	-
Board of directors and other committees remuneration and expenses	**-**	-	**2,029,000**	1,966,000
Others	**9,756,386**	8,212,895	**4,078**	346,618
	86,870,923	91,629,095	**2,053,933**	2,353,043

22. INVESTMENT INCOME

	Insurance operations		*Shareholders' operations*	
	2021	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*
Available for sale				
Realized gain on investments	-	-	**22,547,967**	3,520,553
Impairment on available for sale investments	-	-	**-**	(7,806,010)
Dividend and investment income	-	-	**2,437,433**	1,881,099
Murabaha income	-	-	**621**	-
Other investments at amortised cost				
Impairment on Other investments at amortised cost	-	-	**(1,268,385)**	(68,262,866)
Murabaha income	-	-	**50,830**	-
Dividend and investment income	-	-	**989,471**	-
Held to maturity				
Murabaha income	-	-	**675,798**	683,408
Cash and short-term deposit				
Murabaha income	**90,347**	534,007	**-**	98,465
Dividend and investment income	**3,195,202**	5,048,750	**1,879,370**	1,022,973
Long term deposit				
Murabaha income	**2,679,675**	3,869,788	**1,529,926**	7,785,463
	5,965,224	9,452,545	**28,843,031**	(61,076,915)

23. OTHER UNDERWRITING INCOME

	2021 ***SR***	*2020* *SR*
Company's share of compulsory umrah product income	**243,000**	4,444,000
Policy issuance fees	**4,771,633**	3,991,874
Profit sharing on reinsurance treaties	**214,865**	2,340,138
Company's share of Manafeth income	**424,138**	1,236,269
Company share of Travel & Covid-19 Product - G.A.	**2,153,000**	-
Others	**5,341,442**	6,468,409
	13,148,078	18,480,690

24. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	2021 ***SR***	*2020* *SR*
Non-current assets	**148,585,363**	294,138,214
Non-current liabilities	**13,086,930**	26,981,620
Net income before surplus attribution and zakat and income tax	**48,432,317**	51,686,850
Goodwill	**4,496,500**	4,496,500
Opening shareholders' equity	**637,043,964**	480,289,767

Provision for Zakat and income tax

Provision for zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Movement in the provision for zakat and income tax during the year

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**25,325,408**	26,675,204
Provision for the year	**15,000,000**	12,500,000
Paid during the year	**(15,017,245)**	(13,849,796)
At the end of the year	**25,308,163**	25,325,408

The movement zakat provision is as follows:

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**24,780,994**	26,002,743
Provision for the year	**14,626,500**	12,188,750
Paid during the year	**(14,599,458)**	(13,410,499)
At the end of the year	**24,808,036**	24,780,994

24. ZAKAT AND INCOME TAX (Continued):

The movement in income tax provision is as follows:

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**544,414**	672,461
Provision for the year	**373,500**	311,250
Paid during the year	**(417,787)**	(439,297)
At the end of the year	**500,127**	544,414

The following is the shareholding percentage in the financial statements as at the end of the year:

	2021 ***%***	*2020* *%*
Shareholding subject to zakat	**97.51**	97.51
Shareholding subject to income tax	**2.49**	2.49

Status of zakat and income tax certificate

The Company has submitted its zakat and tax returns up to the year ended December 31, 2020.

The Company has received final clearance certificate from ZATCA till the year 2015. In 2020, the Company received assessment for the year 2016, 2017 and 2018 with an additional demand of zakat and income tax amounting to SR 2.7 million, SR 3.9 million and SR 3.8 million respectively. Management has made the payment amounting to SR 3.8 million against 2018 assessment and concluded the assessment. With respect to assessment for the year 2016 and 2017 management has filed an objection.

The assessment received for the year 2016 and 2017 includes additional withholding tax liability of SR 2.3 million and SR 2.8 million respectively. In 2020, the Company has paid the amount, however management has filed an objection. Charge for the withholding tax liability is accounted for under general and administrative expenses in the year 2020 .

In 2020, the Company has received VAT assessment order with additional liability of SR 4.1 million. The Company has paid the amount, however management has filed an objection. Charge for the additional VAT liability is accounted for under general and administrative expenses in the year 2020.

Additionally, the zakat assessments of Trade Union Insurance Company (B.S.C.) (closed) have been finalized by the ZATCA for the years 2000 to 2008 claiming zakat and income tax liability amounting to SR 10.6 million and withholding tax dues amounting to SR 8.9 million. Management has filed an objection against these assessments and the primary objection committee concluded the same in favor of ZATCA. However, the management filed an objection to the Appeal Committee of Zakat and Income Tax following the regulatory procedures .

In 2015, the ZATCA has issued an adjusted assessment for the same years 2000-2008 claiming the same amount as per the Preliminary Committee's decision. The Company has appealed against these assessments and management expects to receive a favorable ruling. Subsequently, the Company paid an additional amount of SR 8.8 million and submitted a letter of guarantee for SR 10.19 million for zakat. During to current period the Company received the revised order with additional zakat liability of SR 9.2 million and for withholding tax of SR 0.5 million net of payment .

Payment has been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

25. SHARE CAPITAL

The authorized, issued and paid-up share capital is SR 400 million on December 31, 2021 consisting of 40 million shares (December 31, 2020: SR 400 million consisting of 40 million shares) of SR 10 each.
Shareholding structure of the Company is as below.

	December 31, 2021		
	Authorized and issued		***Paid up***
	No. of Shares	***SR***	
Trade Union Holding Co. - Bahrain	**8,944,000**	**89,440,000**	**89,440,000**
Al Ahleia Insurance Co. - Kuwait	**4,000,000**	**40,000,000**	**40,000,000**
Others	**27,056,000**	**270,560,000**	**270,560,000**
	40,000,000	**400,000,000**	**400,000,000**

	December 31, 2020		
	Authorized and issued		***Paid up***
	No. of Shares	***SR***	
Trade Union Holding Co. - Bahrain	8,944,000	89,440,000	89,440,000
Al Ahleia Insurance Co. - Kuwait	4,000,000	40,000,000	40,000,000
Others	27,056,000	270,560,000	270,560,000
	40,000,000	400,000,000	400,000,000

26. STATUTORY RESERVE

In accordance with the Implementing Regulations for Insurance Companies in Saudi Arabia and the by-laws of the Company, the Company has to establish a statutory reserve through the appropriation of 20% of net income in each year until the reserve equals 100% of the share capital.

27. EARNINGS PER SHARE

Basic and diluted Income per share from shareholders' income is calculated by dividing net income from shareholders' operations for the year by weighted average number of ordinary shares outstanding during the year, unless there is a dilution effect.

28. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and Contingencies are as follows:

	2021	*2020*
	SR	*SR*
Letter of Guarantee	**14,940,660**	16,190,660

b) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholder's insurance claims. 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 impact on the Company's results or financial position.

29. CAPITAL MANAGEMENT

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

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

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 solvency margin as at December 31, 2021 is 292%. Further, the Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at December 31, 2021 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 36.3 million and retained earnings of SAR 100.5 million (December 31, 2020: paid-up share capital of SAR 400 million, statutory reserves of SAR 29.6 million and retained earnings of SAR 73.7 million.) in the statement of financial position.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

30. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segment has been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess its performance.

For management purposes, the Company is organized into business segments classified as: Medical, Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information. On 29 December 2021, the company received SAMA approval for Protection and Saving insurance. However, the company will start it's operations on the subsequent period of the reporting date, accordingly this new licenses has no impact on the financials statement for the year ended 31 December 2021.

Segment results do not include general and administrative expenses, interest income and commission income, dividend income and realized loss, net, other income, allowance for doubtful debts, and unrealized (losses)/ gains on investments held for trading.

Segment assets do not include cash and cash equivalents, investments held for trading, available for sale and held to maturity, premiums and insurance receivable, prepaid expenses and other assets, amounts due from related parties, amounts due from shareholders' operations, time deposits, property and equipment, right of use assets and goodwill and shareholders' operations assets. Accordingly, they are included in unallocated assets.

Segment liabilities and accumulated surplus do not include accounts payables, reinsurance balances payable, accrued expenses and other liabilities, amounts due to shareholders' operations and end-of-service indemnities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2021 and December 31, 2020, its total revenues, expenses, and net income for the year then ended, are as follows::

30. SEGMENTAL INFORMATION (Continued)

	For the twelve months ended December 31, 2021			
	Medical	Motor	Property and casualty	Total
	SAR			
REVENUES				
Gross premiums written				
Individual	1,071,389	126,794,239	987,204	128,852,832
Micro Entities	335,497,308	1,371,579	1,058,436	337,927,323
Small Entities	10,003,546	7,249,179	6,587,747	23,840,472
Medium Entities	18,923,461	20,097,161	25,067,479	64,088,101
Large Organizations	56,910,964	227,998,866	25,858,953	310,768,783
	422,406,668	383,511,024	59,559,819	865,477,511
Reinsurance premiums ceded – local	-	(636,930)	(2,167,684)	(2,804,614)
Reinsurance premiums ceded – foreign	-	(5,706,429)	(44,894,425)	(50,600,854)
Excess of loss premium	(11,287,203)	(6,851,614)	(1,591,256)	(19,730,073)
Net premiums written	411,119,465	370,316,051	10,906,454	792,341,970
Changes in unearned premiums, net	(97,123,757)	45,615,910	51,947	(51,455,900)
Net premiums earned	313,995,708	415,931,961	10,958,401	740,886,070
Reinsurance commission income	-	1,612,075	8,991,869	10,603,944
Other underwriting income	1,558,631	8,909,720	2,679,727	13,148,078
TOTAL REVENUES	315,554,339	426,453,756	22,629,997	764,638,092
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(176,699,400)	(352,876,675)	(11,373,634)	(540,949,709)
Reinsurers' share of claims paid	8,392,942	2,597,896	6,400,770	17,391,608
Net claims and other benefits paid	(168,306,458)	(350,278,779)	(4,972,864)	(523,558,101)
Changes in outstanding claims, net	(59,849,600)	22,872,042	(1,938,422)	(38,915,980)
Changes in claims incurred but not reported, net	57,428	1,335,108	1,269,487	2,662,023
Change in other technical reserves, net	130,597	115,950	(873,256)	(626,709)
Net claims and other benefits incurred	(227,968,033)	(325,955,679)	(6,515,055)	(560,438,767)
Additional premium reserves	-	(3,887,290)	(21,849)	(3,909,139)
Policy acquisition costs	(27,394,097)	(21,159,098)	(6,523,540)	(55,076,735)
Other underwriting expenses	(17,729,368)	(31,873,202)	(344,299)	(49,946,869)
TOTAL UNDERWRITING COSTS AND EXPENSES	(273,091,498)	(382,875,269)	(13,404,743)	(669,371,510)
NET UNDERWRITING INCOME	42,462,841	43,578,487	9,225,254	95,266,582
OTHER OPERATING (EXPENSES)/ INCOME				
Allowance for doubtful debts				8,250,069
General and administrative expenses				(88,924,856)
Murabaha income on deposits				5,027,197
Realized gain/(loss)/(impairment) on investments				21,279,582
Dividend and investment income				8,501,476
Investment expenses				(934,024)
Finance cost				(134,268)
Other expenses				2,609,142
Total other operating expenses, net				(44,325,682)
Total income for the year before surplus attribution and zakat and income tax				50,940,900
Surplus attributed to the insurance operations				(2,508,583)
Total income for the year before Zakat and income tax				48,432,317
Zakat and income tax expense				(15,000,000)
Total income for the year attributable to the shareholders				33,432,317

30. SEGMENTAL INFORMATION (Continued)

	As at December 31, 2021					
	Insurance operations					
	Medical	Motor	Property and casualty	Total insurance operations	Shareholders' operations	Total
	SAR	SAR	SAR	SAR	SAR	SAR
Assets						
Reinsurers' share of unearned premiums	-	3,658,492	19,891,706	23,550,198	-	23,550,198
Reinsurers' share of outstanding claims	5,720,569	860,555	71,260,763	77,841,887	-	77,841,887
Reinsurers' share of claims incurred but not reported	-	586,368	15,332,942	15,919,310	-	15,919,310
Deferred policy acquisition costs	20,021,721	11,053,077	3,188,349	34,263,147	-	34,263,147
Unallocated assets	-	-	-	912,706,711	564,739,784	1,477,446,495
Total assets	25,742,290	16,158,492	109,673,760	1,064,281,253	564,739,784	1,629,021,037
Liabilities						
Unearned premiums	229,168,762	226,677,407	27,649,142	483,495,311	-	483,495,311
Unearned reinsurance commission	-	1,042,693	3,801,128	4,843,821	-	4,843,821
Outstanding claims	102,664,780	27,345,635	112,686,510	242,696,925	-	242,696,925
Claims incurred but not reported	6,879,727	69,104,761	18,604,241	94,588,729	-	94,588,729
Additional premium reserves	-	14,186,325	662,521	14,848,846	-	14,848,846
Other technical reserves	576,487	4,099,906	3,712,089	8,388,482	-	8,388,482
Unallocated liabilities	-	-	-	192,841,896	32,955,714	225,797,610
Total liabilities	339,289,756	342,456,727	167,115,631	1,041,704,010	32,955,714	1,074,659,724

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain foreign investments.

30. SEGMENTAL INFORMATION (Continued)

	For the twelve months ended December 31, 2020			
	Medical	Motor	Property and casualty	Total
	SAR			
REVENUES				
Gross premiums written				
Individual	668,905	112,965,483	1,062,188	114,696,576
Micro Entities	140,232,677	2,708,381	941,680	143,882,738
Small Entities	16,569,041	1,608,975	3,003,849	21,181,865
Medium Entities	14,686,507	52,895,560	26,984,825	94,566,892
Large Organizations	47,600,163	302,197,021	17,540,152	367,337,336
	219,757,293	472,375,420	49,532,694	741,665,407
Reinsurance premiums ceded – local	-	(153,049)	(1,011,763)	(1,164,812)
Reinsurance premiums ceded – foreign	-	(5,956,706)	(38,889,021)	(44,845,727)
Excess of loss premium	(4,747,215)	(7,625,776)	(1,866,152)	(14,239,143)
Net premiums written	215,010,078	458,639,889	7,765,758	681,415,725
Changes in unearned premiums, net	(9,185,885)	50,482,294	2,802,819	44,099,228
Net premiums earned	205,824,193	509,122,183	10,568,577	725,514,953
Reinsurance commission income	-	2,053,173	9,127,639	11,180,812
Other underwriting income	3,096,456	8,727,991	6,656,243	18,480,690
TOTAL REVENUES	208,920,649	519,903,347	26,352,459	755,176,455
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(162,799,273)	(354,953,058)	(6,842,026)	(524,594,357)
Reinsurers' share of claims paid	11,827,206	2,285,844	2,598,907	16,711,957
Net claims and other benefits paid	(150,972,067)	(352,667,214)	(4,243,119)	(507,882,400)
Changes in outstanding claims, net	(6,194,210)	4,941,572	(4,885,448)	(6,138,086)
Changes in claims incurred but not reported	962,360	32,231,821	744,364	33,938,545
Change in other technical reserves movement	(459,046)	(8,636)	(1,126,929)	(1,594,611)
Net claims and other benefits incurred	(156,662,963)	(315,502,457)	(9,511,132)	(481,676,552)
Additional premium reserves	10,211,300	(281,342)	1,886,541	11,816,499
Policy acquisition costs	(15,505,864)	(19,311,110)	(5,634,664)	(40,451,638)
Other underwriting expenses	(11,433,843)	(15,762,277)	(217,360)	(27,413,480)
TOTAL UNDERWRITING COSTS AND EXPENSES	(173,391,370)	(350,857,186)	(13,476,615)	(537,725,171)
NET UNDERWRITING (LOSS)/ INCOME	35,529,279	169,046,161	12,875,844	217,451,284
OTHER OPERATING (EXPENSES)/ INCOME				
Allowance for doubtful debts				(19,528,298)
General and administrative expenses				(93,982,138)
Murabaha income on deposits				12,971,131
Realized gain/(loss)/(impairment) on investments				(72,548,323)
Dividend and investment income				7,952,822
Investment expenses				(610,509)
Finance cost				(48,189)
Others				29,070
Total other operating expenses, net				(165,764,434)
Total income for the year before surplus attribution and zakat and income tax				51,686,850
Surplus attributed to the insurance operations				(11,572,732)
Total income for the year before Zakat and income tax				40,114,118
Zakat and income tax expense				(12,500,000)
Total income for the year attributable to the shareholders				27,614,118

30. SEGMENTAL INFORMATION (Continued)

	As at December 31, 2020					
	Insurance operations					
	Medical	Motor	Property and casualty	Total insurance operations	Shareholders' operations	Total
	SAR	SAR	SAR	SAR	SAR	SAR
Assets						
Reinsurers' share of unearned premiums	-	2,971,583	16,683,950	19,655,533	-	19,655,533
Reinsurers' share of outstanding claims	4,288,989	20,404,777	62,507,303	87,201,069	-	87,201,069
Reinsurers' share of claims incurred but not reported	-	661,961	15,432,726	16,094,687	-	16,094,687
Deferred policy acquisition costs	10,251,504	10,583,571	2,685,199	23,520,274	-	23,520,274
Unallocated assets			-	872,336,934	441,178,896	1,313,515,830
Total assets	14,540,493	34,621,892	97,309,178	1,018,808,497	441,178,896	1,459,987,393
Liabilities						
Unearned premiums	132,045,005	271,606,408	24,493,333	428,144,746	-	428,144,746
Unearned reinsurance commission	-	846,910	3,683,864	4,530,774	-	4,530,774
Outstanding claims	41,383,600	69,761,898	101,994,628	213,140,126	-	213,140,126
Claims incurred but not reported	6,937,155	70,515,462	19,973,512	97,426,129	-	97,426,129
Additional premium reserves	-	10,299,035	640,672	10,939,707	-	10,939,707
Other technical reserves	707,084	4,215,856	2,838,833	7,761,773	-	7,761,773
Unallocated liabilities			-	152,710,657	32,777,625	185,488,282
Total liabilities	181,072,844	427,245,569	153,624,842	914,653,912	32,777,625	947,431,537

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain foreign investments.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that fair value of cash, bank balances and short-term deposits, receivables from related parties, accounts payable, reinsurance balances payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Determination of fair value and fair value hierarchy

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

- Level 1 – quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2 – quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 – valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	SR	**SR**	**SR**	**SR**
Investments available for sale	**124,699,612**	**51,678,806**	**11,097,284**	**187,475,702**
	124,699,612	**51,678,806**	**11,097,284**	**187,475,702**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Investments available for sale	118,295,891	53,451,555	11,372,925	183,120,371
	118,295,891	53,451,555	11,372,925	183,120,371

During the year, there has been no transfer between the above three levels.

Investments available for sale amounting to SR. 11,097,284 (2020: SR. 11,372,925) are carried at cost because the investments are not quoted in any active market nor there is any level of input directly or indirectly observable and there are no other significant observable inputs available. The management does not have any intention to dispose of this available for sale investment in the foreseeable future.

32. RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational 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 ("BOD"). The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, and market risks.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralised oversight of BOD providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Risk Management Committee

The Company has a Risk Management Committee in place. The Committee meets to review the reports of the Risk Manager to give advice and make recommendations on Company's enterprise-wide risk management to the BOD. The risks of each area are managed by the respective Line Managers and Departmental Heads. The Company continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk both currently and in future under SAMA's implementing rules and regulations. Elements of this framework include the regular identification and assessment of the key risks and controls as well as clearly defined ownership of both the risks and controls.

32. RISK MANAGEMENT (Continued)

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

Audit Committee and Internal Audit Department
Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

Insurance and reinsurance risk management
The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

32. RISK MANAGEMENT (Continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, casualty, and marine classes. These classes of insurance except for long tale engineering policies are generally regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

(i) Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom, are underwritten either on a replacement value or an indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

(ii) Engineering

The engineering business includes long tail Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this profitable line of business. These are amply covered under the engineering proportional and non-proportional treaties.

(iii) Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties' properties. Further, death claims compensation has been made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

(iv) Casualty

For casualty class of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage is the main factor that influences the level of claims.

(v) Marine

In marine insurance, the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Reinsurance arrangements have been made with reinsurers through proportional treaties as well as non-proportional treaties.

32. RISK MANAGEMENT (Continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. 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 degrees of judgment and uncertainty. 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 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 IBNR at the statement of financial position date. The details of estimation of outstanding claims including IBNR are given under Notes 3 and 4.

Process used to determine assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral 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. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

Concentration of insurance risk

The Company, with the introduction of any one risk definition and strictly following it in the underwriting process, eliminates concentration of risks. Elimination of location limit under the marine proportional treaty and having a third excess of losses (“XOL”) layer to protect accumulation on the net retention amply to take care of concentration. On the casualty side, concentration of risk is very minimal and XOL treaty takes care of it amply. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the statement of financial position date.

Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company’s liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

32. RISK MANAGEMENT (Continued)

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to 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.

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 assets held by the Company, the maximum exposure to credit risk of 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:

- The Company only enters into insurance and reinsurance contracts with recognised credit worthy 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 from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

32. RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	Insurance operations		Shareholders' operations	
	2021	2020	**2021**	2020
	SR	SR	**SR**	SR
Cash and cash equivalents	**387,418,940**	373,230,365	**148,079,199**	78,485,486
Statutory deposit	**-**	-	**40,000,000**	40,000,000
Long term/fixed income deposits	**275,000,000**	230,000,000	**132,676,226**	81,269,878
Accrued income on statutory deposit	**-**	-	**5,487,213**	5,261,879
Investments	**-**	-	**232,995,704**	229,956,255
Premiums and reinsurance receivable, net	**164,107,400**	197,769,252	**-**	-
Reinsurers' share of outstanding claims	**77,841,887**	87,201,069	**-**	-
Reinsurers' share of claims Incurred but not reported	**15,919,310**	16,094,687	**-**	-
Other assets	**27,931,512**	26,135,462	**1,004,942**	1,708,898
	948,219,049	930,430,835	**560,243,284**	436,682,396

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds invested in time deposits, available for sale and held for trading investments.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2021		
INSURANCE OPERATIONS' FINANCIAL ASSETS	***Up to one year*** ***SR***	***More than one year*** ***SR***	***Total*** ***SR***
Cash and cash equivalents	**387,418,940**	**-**	**387,418,940**
Long term/fixed income deposits	**275,000,000**		**275,000,000**
Premiums and reinsurance balances receivable, net	**164,107,400**	**-**	**164,107,400**
Reinsurers' share of outstanding claims	**77,841,887**	**-**	**77,841,887**
Reinsurers' share of claims Incurred but not reported	**15,919,310**		**15,919,310**
Other assets	**27,931,512**	**-**	**27,931,512**
	948,219,049	**-**	**948,219,049**

32. RISK MANAGEMENT (Continued)

Maturity profiles (Continued)

	2021		
	Up to one year SR	***More than one year SR***	***Total SR***
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	**148,079,199**	**-**	**148,079,199**
Long term/fixed income deposits	**132,676,226**	**-**	**132,676,226**
Statutory deposit	**-**	**40,000,000**	**40,000,000**
Investments	**-**	**232,995,704**	**232,995,704**
Accrued income on statutory deposit	**-**	**5,487,213**	**5,487,213**
Other assets	**1,004,942**	**-**	**1,004,942**
	281,760,367	**278,482,917**	**560,243,284**
TOTAL FINANCIAL ASSETS	**1,229,979,416**	**278,482,917**	**1,508,462,333**

	2020		
INSURANCE OPERATIONS' FINANCIAL ASSETS	*Up to one year SR*	*More than one year SR*	*Total SR*
Cash and cash equivalents	373,230,365	-	373,230,365
Long term/fixed income deposits	200,000,000	30,000,000	230,000,000
Premiums and reinsurance receivable, net	197,769,252	-	197,769,252
Reinsurers' share of outstanding claims	87,201,069	-	87,201,069
Reinsurers' share of claims Incurred but not reported	16,094,687	-	16,094,687
Other assets	26,135,462	-	26,135,462
	900,430,835	30,000,000	930,430,835

	2020		
	Up to one year SR	*More than one year SR*	*Total SR*
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	78,485,486	-	78,485,486
Long term/fixed income deposits	81,269,878	-	81,269,878
Statutory deposit	-	40,000,000	40,000,000
Investments	-	229,956,255	229,956,255
Statutory deposit commission	-	5,261,879	5,261,879
Other assets	1,708,898	-	1,708,898
	161,464,262	275,218,134	436,682,396
TOTAL FINANCIAL ASSETS	1,061,895,097	305,218,134	1,367,113,231

32. RISK MANAGEMENT (Continued)

Maturity profiles (Continued)

	2021		
	Up to one year SR	***More than one year SR***	***Total SR***
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	**44,796,792**	**-**	**44,796,792**
Reinsurance balances payable	**12,946,234**	**-**	**12,946,234**
Accrued and other liabilities	**100,173,988**	**-**	**100,173,988**
Gross outstanding claims	**242,696,925**	**-**	**242,696,925**
Claims incurred but not reported	**94,588,729**	**-**	**94,588,729**
	495,202,668	**-**	**495,202,668**
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued and other liabilities	**2,160,338**	**-**	**2,160,338**
Accrued commission income payable to SAMA	**-**	**5,487,213**	**5,487,213**
	2,160,338	**5,487,213**	**7,647,551**
TOTAL FINANCIAL LIABILITIES	**497,363,006**	**5,487,213**	**502,850,219**

	2020		
	Up to one year SR	*More than one year SR*	*Total SR*
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	32,582,419	-	32,582,419
Reinsurance balances payable	7,389,868	-	7,389,868
Accrued and other liabilities	72,540,811	-	72,540,811
Gross outstanding claims	213,140,126	-	213,140,126
Claims incurred but not reported	97,426,129	-	97,426,129
	423,079,353	-	423,079,353
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued and other liabilities	2,190,338	-	2,190,338
Accrued commission income payable to SAMA	-	5,261,879	5,261,879
	2,190,338	5,261,879	7,452,217
TOTAL FINANCIAL LIABILITIES	425,269,691	5,261,879	430,531,570

Liquidity profile

None of the financial liabilities on the statement of financial position are valuated of amortized cost.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

32. RISK MANAGEMENT (Continued)

Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed commission rate instruments expose the Company to fair value interest risk.

The Company is exposed to commission rate risk on certain of its time deposits, term deposits, investments held for trading and investments available for sale. The Company limits commission rate risk by monitoring changes in commission rates.

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

The sensitivity of the statement of shareholders comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at 31 December:

	Change in basis points	Effect on comprehensive income for the year SR
2021	10	**± 424,393**
2020	10	**± 451,970**

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 commission 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 instruments traded in the market.

The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity market. The Company does not have significant market risk.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the investment department of the Company. The unquoted equity price risk exposure arises from the Company's investment portfolio.

32. RISK MANAGEMENT (Continued)

Market price risk (Continued)

The effect on net surplus from insurance operations in the statement of income and effect on total comprehensive income for the year in the statement of comprehensive income as a result of a change in the fair value of the held for trading investments at December 31, 2021 due to a reasonable possible change in the equity prices, with all other variables held as constant is as follows:

	2021		*2020*	
Change in equity price	***Insurance operations' SR***	***Shareholders' operations SR***	*Insurance operations' SR*	*Shareholders' operations SR*
+5		**9,373,785**	**-**	9,156,019
-5		**(9,373,785)**	**-**	9,156,019

Capital management

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

Operational Risk

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

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

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

33. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholder's operations are as follows:

a) Statement of financial position

		December 31, 2021			*December 31, 2020*		
ASSETS	*Note*	**Insurance operations SR**	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
Cash and cash equivalents	5	**387,418,940**	**148,079,199**	**535,498,139**	373,230,365	78,485,486	451,715,851
Premiums and reinsurance receivable - net	8	**164,107,400**	**-**	**164,107,400**	197,769,252	-	197,769,252
Reinsurers' share of unearned premiums	9	**23,550,198**	**-**	**23,550,198**	19,655,533	-	19,655,533
Reinsurers' share of outstanding claims	9	**77,841,887**	**-**	**77,841,887**	87,201,069	-	87,201,069
Reinsurers' share of claims Incurred but not reported	9	**15,919,310**	**-**	**15,919,310**	16,094,687	-	16,094,687
Deferred policy acquisition costs	9	**34,263,147**	**-**	**34,263,147**	23,520,274	-	23,520,274
Investments	7	**-**	**232,995,704**	**232,995,704**	-	229,956,255	229,956,255
Due from shareholders'/insurance operations		**-**	**22,577,243**	**22,577,243**	-	104,154,585	104,154,585
Prepaid expenses and other assets	11	**64,733,749**	**1,004,942**	**65,738,691**	51,079,857	1,708,898	52,788,755
Long term/fixed income deposits	6	**275,000,000**	**132,676,226**	**407,676,226**	230,000,000	81,269,878	311,269,878
Property and equipment	12	**17,773,176**	**-**	**17,773,176**	15,358,692	-	15,358,692
Right of use assets	13	**3,673,446**	**-**	**3,673,446**	4,898,768	-	4,898,768
Goodwill	14	**-**	**4,496,500**	**4,496,500**	-	4,496,500	4,496,500
Statutory deposit	15	**-**	**40,000,000**	**40,000,000**	-	40,000,000	40,000,000
Accrued income on statutory deposit		**-**	**5,487,213**	**5,487,213**	-	5,261,879	5,261,879
TOTAL ASSETS		**1,064,281,253**	**587,317,027**	**1,651,598,280**	1,018,808,497	545,333,481	1,564,141,978
Less: inter-operations elimination		**-**	**(22,577,243)**	**(22,577,243)**	-	(104,154,585)	(104,154,585)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION		**1,064,281,253**	**564,739,784**	**1,629,021,037**	1,018,808,497	441,178,896	1,459,987,393

33. SUPPLEMENTARY INFORMATION (Continued)

a) Statement of financial position (Continued)

		December 31, 2021			*December 31, 2020*		
LIABILITIES	*Note*	**Insurance operations SR**	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
Accounts payable		**44,796,792**	**-**	**44,796,792**	32,582,419	-	32,582,419
Accrued and other liabilities	17	**114,190,396**	**2,160,338**	**116,350,734**	82,468,360	2,190,338	84,658,698
Lease liability		**3,141,919**	**-**	**3,141,919**	3,657,651	-	3,657,651
Reinsurers' balances payable		**12,946,234**	**-**	**12,946,234**	7,389,868	-	7,389,868
Unearned premiums	9	**483,495,311**	**-**	**483,495,311**	428,144,746	-	428,144,746
Unearned reinsurance commission	16	**4,843,821**	**-**	**4,843,821**	4,530,774	-	4,530,774
Outstanding claims	9	**242,696,925**	**-**	**242,696,925**	213,140,126	-	213,140,126
Claims incurred but not reported	9	**94,588,729**	**-**	**94,588,729**	97,426,129	-	97,426,129
Additional premium reserves	9	**14,848,846**	**-**	**14,848,846**	10,939,707	-	10,939,707
Other technical reserves	9	**8,388,482**	**-**	**8,388,482**	7,761,773	-	7,761,773
Due to shareholders' operations		**22,577,243**	**-**	**22,577,243**	104,154,585	-	104,154,585
End-of-service indemnities	19	**17,540,258**	**-**	**17,540,258**	18,690,982	-	18,690,982
Zakat and income tax	23	**-**	**25,308,163**	**25,308,163**	-	25,325,408	25,325,408
Accrued commission income payable to SAMA		**-**	**5,487,213**	**5,487,213**	-	5,261,879	5,261,879
TOTAL LIABILITIES		**1,064,054,956**	**32,955,714**	**1,097,010,670**	1,010,887,120	32,777,625	1,043,664,745
Less: Interoperations elimination		**(22,577,243)**	**-**	**(22,577,243)**	(104,154,585)	-	(104,154,585)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION		**1,041,477,713**	**32,955,714**	**1,074,433,427**	906,732,535	32,777,625	939,510,160
Accumulated surplus payable	18	**2,508,583**	**-**	**2,508,583**	11,572,732	-	11,572,732
Re-measurement actuarial loss on end of service indemnities		**(2,282,286)**	**-**	**(2,282,286)**	(3,651,355)	-	(3,651,355)
TOTAL ACCUMULATED SERPLUS AND RESERVES		**226,297**	**-**	**226,297**	7,921,377	-	7,921,377
EQUITY							
Share capital	25	**-**	**400,000,000**	**400,000,000**	-	400,000,000	400,000,000
Statutory reserve	26	**-**	**36,298,116**	**36,298,116**	-	29,611,653	29,611,653
Retained earnings		**-**	**100,478,049**	**100,478,049**	-	73,732,195	73,732,195
Fair value reserve on investments		**-**	**17,585,148**	**17,585,148**	-	9,212,008	9,212,008
TOTAL EQUITY		**-**	**554,361,313**	**554,361,313**	-	512,555,856	512,555,856
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		**1,041,704,010**	**587,317,027**	**1,629,021,037**	914,653,912	545,333,481	1,459,987,393

33. SUPPLEMENTARY INFORMATION (Continued)

B) Statement of income	***Year ended December 31, 2021***			*Year ended December 31, 2020*		
REVENUES	**Insurance operations SR**	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
Gross written premiums	**865,477,511**	**-**	**865,477,511**	741,665,407	-	741,665,407
Reinsurance premiums ceded - Local	**(2,804,614)**	**-**	**(2,804,614)**	(1,164,812)	-	(1,164,812)
Reinsurance premiums ceded – Foreign	**(50,600,854)**	**-**	**(50,600,854)**	(44,845,727)	-	(44,845,727)
Excess of loss premium	**(19,730,073)**	**-**	**(19,730,073)**	(14,239,143)	-	(14,239,143)
Net premiums written	**792,341,970**	**-**	**792,341,970**	681,415,725	-	681,415,725
Changes in unearned premiums, net	**(51,455,900)**	**-**	**(51,455,900)**	44,099,228	-	44,099,228
Net premiums earned	**740,886,070**	**-**	**740,886,070**	725,514,953	-	725,514,953
Reinsurance commission income	**10,603,944**	**-**	**10,603,944**	11,180,812	-	11,180,812
Other underwriting income	**13,148,078**	**-**	**13,148,078**	18,480,690	-	18,480,690
TOTAL REVENUES	**764,638,092**	**-**	**764,638,092**	755,176,455	-	755,176,455
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(540,949,709)**	**-**	**(540,949,709)**	(524,594,357)	-	(524,594,357)
Reinsurers' share of claims paid	17,391,608	-	17,391,608	16,711,957	-	16,711,957
Net claims and other benefits paid	**(523,558,101)**	**-**	**(523,558,101)**	(507,882,400)	-	(507,882,400)
Changes in outstanding claims, net	**(38,915,980)**	**-**	**(38,915,980)**	(6,138,086)	-	(6,138,086)
Changes in claims incurred but not reported, net	**2,662,023**	**-**	**2,662,023**	33,938,545		33,938,545
Change in other technical reserves, net	**(626,709)**	**-**	**(626,709)**	(1,594,611)	-	(1,594,611)
Net claims and other benefits	**(560,438,767)**	**-**	**(560,438,767)**	(481,676,552)	-	(481,676,552)
Additional premium reserves	**(3,909,139)**	**-**	**(3,909,139)**	11,816,499	-	11,816,499
Policy acquisition costs	**(55,076,735)**	**-**	**(55,076,735)**	(40,451,638)	-	(40,451,638)
Other underwriting expenses	**(49,946,869)**	**-**	**(49,946,869)**	(27,413,480)	-	(27,413,480)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(669,371,510)**	**-**	**(669,371,510)**	(537,725,171)	-	(537,725,171)
NET UNDERWRITING INCOME	**95,266,582**	**-**	**95,266,582**	217,451,284	-	217,451,284

33. SUPPLEMENTARY INFORMATION (Continued)

B) Statement of income (Continued)	**SAR**					
	Year ended December 31, 2021			***Year ended December 31, 2020***		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	**8,250,069**	**-**	**8,250,069**	(19,528,298)	-	(19,528,298)
General and administrative expenses	**(86,870,923)**	**(2,053,933)**	**(88,924,856)**	(91,629,095)	(2,353,043)	(93,982,138)
Murabaha income on deposits	**2,770,022**	**2,257,175**	**5,027,197**	4,403,795	8,567,336	12,971,131
Realized gain/(loss)/(impairment) on investments	**-**	**21,279,582**	**21,279,582**	-	(72,548,323)	(72,548,323)
Dividend and investment income	**3,195,202**	**5,306,274**	**8,501,476**	5,048,750	2,904,072	7,952,822
Investment expenses	**-**	**(934,024)**	**(934,024)**	-	(610,509)	(610,509)
Finance cost	**(134,268)**	**-**	**(134,268)**	(48,189)	-	(48,189)
Others	**2,609,142**	**-**	**2,609,142**	29,070	-	29,070
TOTAL OTHER OPERATING EXPENSES, NET	**(70,180,756)**	**25,855,074**	**(44,325,682)**	(101,723,967)	(64,040,467)	(165,764,434)
TOTAL INCOME FOR THE YEAR BEFORE SURPLUS ATTRIBUTION AND ZAKAT AND INCOME TAX	**25,085,826**	**25,855,074**	**50,940,900**	115,727,317	(64,040,467)	51,686,850
Surplus transferred to Shareholders	**(22,577,243)**	**22,577,243**	**-**	(104,154,585)	104,154,585	-
TOTAL INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX	**2,508,583**	**48,432,317**	**50,940,900**	11,572,732	40,114,118	51,686,850
Zakat and income tax expense	**-**	**(15,000,000)**	**(15,000,000)**	-	(12,500,000)	(12,500,000)
TOTAL INCOME FOR THE YEAR	**2,508,583**	**33,432,317**	**35,940,900**	11,572,732	27,614,118	39,186,850

33. SUPPLEMENTARY INFORMATION (Continued)

c) Statement of comprehensive income	***Year ended December 31, 2021***			*Year ended December 31, 2020*		
	Insurance operations SR	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	**2,508,583**	**33,432,317**	**35,940,900**	11,572,732	27,614,118	39,186,850
Other comprehensive income						
Items that are classified or will be reclassified to statement of income in subsequent years						
Unrealized fair value changes in available-for-sale investments	**-**	**26,909,812**	**26,909,812**	-	6,359,527	6,359,527
Realization of (gain)/ loss/ impairment on sale of available-for-sale investment	**-**	**(18,536,672)**	**(18,536,672)**	-	(1,707,556)	(1,707,556)
Items that will not be reclassified to statement of income in subsequent years						
Actuarial (loss) / gain on end of service indemnities	**1,369,069**	**-**	**1,369,069**	(1,073,777)	-	(1,073,777)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,877,652**	**41,805,457**	**45,683,109**	10,498,955	32,266,089	42,765,044

33. SUPPLEMENTARY INFORMATION (Continued)

d) Statement of cash flows (Continued)

	Year ended December 31, 2021			Year ended December 31, 2020		
	Insurance operations SR	**Shareholders' operations SR**	**Total SR**	Insurance operations SR	Shareholders' operations SR	Total SR
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the year before surplus attribution and zakat and income tax	**2,508,583**	**48,432,317**	**50,940,900**	11,572,732	40,114,118	51,686,850
Adjustments for non-cash items:						
Depreciation of property and equipment	**3,417,793**	**-**	**3,417,793**	3,244,491	-	3,244,491
Depreciation charge of right to use assets	**1,225,322**	**-**	**1,225,322**	610,892	-	610,892
Gain on disposal of property and equipment	**1,135**	**-**	**1,135**	-	-	-
Allowance for doubtful debts	**(8,250,069)**	**-**	**(8,250,069)**	19,528,298	-	19,528,298
Realized (gain)/loss/impairment on investments	**-**	**(21,279,582)**	**(21,279,582)**	-	72,548,323	72,548,323
Dividend reinvested	**-**	**(14,869)**	**(14,869)**	-	(273,473)	(273,473)
Finance cost	**134,268**	**-**	**134,268**	48,189	-	48,189
Provision for end-of-service indemnities	**3,640,366**	**-**	**3,640,366**	3,304,322	-	3,304,322
Changes in Operating Assets and Liabilities						
Premiums and reinsurers' receivable	**35,199,662**	**-**	**35,199,662**	(39,847,836)	-	(39,847,836)
Reinsurers' share of unearned premiums	**(3,894,665)**	**-**	**(3,894,665)**	2,477,712	-	2,477,712
Reinsurers' share of outstanding claims	**9,359,182**	**-**	**9,359,182**	(21,655,201)	-	(21,655,201)
Reinsurers' share of claims Incurred but not reported	**175,377**	**-**	**175,377**	(1,930,175)	-	(1,930,175)
Deferred policy acquisition costs	**(10,742,873)**	**-**	**(10,742,873)**	(353,483)	-	(353,483)
Prepaid expenses and other assets	**(13,653,892)**	**703,956**	**(12,949,936)**	(21,056,198)	(1,031,427)	(22,087,625)
Accounts payable	**12,214,373**	**-**	**12,214,373**	(6,951,209)	-	(6,951,209)
Accrued and other liabilities	**26,862,377**	**(30,000)**	**26,832,377**	397,380	529,772	927,152
Reinsurers' balances payable	**5,556,366**	**-**	**5,556,366**	(4,695,096)	-	(4,695,096)
Unearned premiums	**55,350,565**	**-**	**55,350,565**	(46,576,940)	-	(46,576,940)
Unearned commission income	**313,047**	**-**	**313,047**	(400,642)	-	(400,642)
Outstanding claims	**29,556,799**	**-**	**29,556,799**	27,793,288	-	27,793,288
Claims incurred but not reported	**(2,837,400)**	**-**	**(2,837,400)**	(32,008,370)	-	(32,008,370)
Additional premiums reserve	**3,909,139**	**-**	**3,909,139**	(11,816,499)	-	(11,816,499)
Other technical reserve	**626,709**	**-**	**626,709**	1,594,611	-	1,594,611
	150,672,164	**27,811,822**	**178,483,986**	(116,719,734)	111,887,313	(4,832,421)
End of service indemnities paid	**(3,422,021)**	**-**	**(3,422,021)**	(688,708)	-	(688,708)
Surplus paid to policy holders	**(814)**	**-**	**(814)**	-	-	-
Zakat and income tax paid	**-**	**(15,017,245)**	**(15,017,245)**	-	(13,849,796)	(13,849,796)
Due from insurance operations	**-**	**81,577,342**	**81,577,342**	-	(55,108,037)	(55,108,037)
Due to shareholders' operations	**(81,577,342)**	**-**	**(81,577,342)**	55,108,037	-	55,108,037
Net cash generated from / (used in) operating activities	**65,671,987**	**94,371,919**	**160,043,906**	(62,300,405)	42,929,480	(19,370,925)

33. SUPPLEMENTARY INFORMATION (Continued)

d) Statement of cash flows (Continued)

	Year ended December 31, 2021			Year ended December 31, 2020		
	Insurance operations SR	**Shareholders' operations SR**	**Total SR**	**Insurance operations SR**	**Shareholders' operations SR**	**Total SR**
CASH FLOW FROM INVESTING ACTIVITIES						
Additions/disposals in investments, net	**-**	**26,628,142**	**26,628,142**	-	(57,569,835)	(57,569,835)
Additions in long term/fixed income deposits	**(45,000,000)**	**(51,406,348)**	**(96,406,348)**	107,140,745	44,420,139	151,560,884
Lease payment	**(650,000)**	**-**	**(650,000)**	(1,501,862)	-	(1,501,862)
Additions/disposals in property and equipment, net	**(5,833,412)**	**-**	**(5,833,412)**	(4,466,710)	**-**	(4,466,710)
Net cash generated (used in) / from investing activities	**(51,483,412)**	**(24,778,206)**	**(76,261,618)**	101,172,173	(13,149,696)	88,022,477
NET CHANGE IN CASH AND CASH EQUIVALENTS	**14,188,575**	**69,593,713**	**83,782,288**	38,871,768	29,779,784	68,651,552
Cash and cash equivalents at the beginning of the year	**373,230,365**	**78,485,486**	**451,715,851**	334,358,597	48,705,702	383,064,299
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**387,418,940**	**148,079,199**	**535,498,139**	373,230,365	78,485,486	451,715,851
NON-CASH INFORMATION						
Unrealized gain on available for sale investments	**-**	**26,909,812**	**26,909,812**	-	6,359,527	6,359,527
Realization of gain/ (loss)/ impairment on sale of available-for-sale-investment	**-**	**(18,536,672)**	**(18,536,672)**	-	(1,707,556)	(1,707,556)
Surplus transferred to undistributed surplus account (liability)	**4,859,659**	**-**	**4,859,659**	2,405,199	-	2,405,199
Surplus transferred to customers' accounts	**6,712,259**	**-**	**6,712,259**	3,044,417	-	3,044,417

34. COMPRATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation.

35. SUBSEQUENT EVENTS

On 3 March 2022, the Company announced BOD recommendation to increase company's capital through bonus shares by SR 50 million (12.5% of current capital) of which SR 30 million to be taken from statutory reserve and SR 20 million from retained earnings. This bonus share grant is conditional upon taking the approval of the official authorities and the extraordinary general assembly on increasing in the capital, the number of granted shares, and the source of granted shares.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on February 24, 2022 corresponding to 23 Rajab 1443 H.