WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

MOORE
El Sayed El Ayouty & Co.
Certified Public Accountants
Member Moore Global

INDEPENDENT AUDITORS' REPORT

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

Opinion
We have audited the financial statements of **Walaa Cooperative Insurance Company** (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2021, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th>The key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td><u>Carrying value of Goodwill</u>

As at 31 December 2021, the Company has a goodwill carrying value amounting to SAR 24.42 million (31 December 2020: SAR 24.42 million). Goodwill is subject to an annual impairment assessment. Management reviews goodwill for impairment annually, and assesses the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

We considered this as a key audit matter, as the estimation of recoooverable value of the CGU involve the application of management judgment and estimation.

Refer to the significant accounting policies note 3 to the financial statements, and note 4 which explain the valuation methodology used by the Company and critical judgment and estimates.</td><td>We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity.

We evaluated the source data of significance to the management's expert's work for relevance, completeness and accuracy by performing the following procedures:
- Inquired of the expert to determine how the expert has obtained satisfaction that the data used is relevant, complete and accurate;
- Reviewed the data for completeness and internal consistency; and
- Agreed the data to supporting documentation.

We involved our specialists and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used.

We gained an understanding and evaluated methods and assumptions that are significant to the management's expert's work for their relevance and reasonableness by reviewing the expert's report and cross checked their consistency with other audit evidence.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)

Key Audit Matters (continued)

The key audit matters	How the matter was addressed in our audit
<u>**Valuation of technical reserves**</u>	
The Company as at December 31, 2021 has gross technical reserves amounting to SR 763.57 million as reported in Note 11 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), premium defeciency reserves and other technical reserves. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. The valuation of technical reserves is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. Due to the significance of the amounts involved and the exercise of significant judgment by the management in the process for determination of the technical reserves, we have determined it to be a key audit matter. *Refer to notes 2(d)(i) which discloses the estimated liability arising from claims under insurance contracts and note 3(vi) which discloses accounting policies for claims.*	We evaluated the design and tested the implementation of key controls over the Company's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. We evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liability as part of our substantive procedures. We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims and technical reserves. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of IFRS.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)

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

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

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

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

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements
The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's by-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- 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;

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALAA COOPERATIVE INSURANCE COMPANY (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Al Azem & Al Sudairy, Al Shaikh & Partners
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Salman B. Al Sudairy
Certified Public Accountant
Registration No. 283

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨ ١١ ٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

El Sayed El Ayouty & Co.
Certified Public Accountants
P. O. Box 780
Jeddah 21421
Kingdom of Saudi Arabia

Mohamed El Ayouty
Certified Public Accountant
License No. 211

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

March 16, 2022
13 Shaban, 1443

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Notes	2021	2020
		SAR'000	
ASSETS			
Cash and cash equivalents	9	**325,055**	687,297
Short term deposits	9	**201,659**	217,274
Long term deposits		**100,000**	50,000
Premiums and reinsurers' receivable – net	10	**582,129**	333,020
Reinsurers' share of unearned premiums	11.2	**538,598**	363,490
Reinsurers' share of outstanding claims	11.1	**338,919**	162,891
Reinsurers' share of claims incurred but not reported	11.1	**149,655**	57,700
Reinsurers' share of mathematical reserves		**123,696**	138,959
Deferred policy acquisition costs	11.3	**36,476**	25,355
Investments	8	**773,236**	515,790
Due from insurance operations		**4,437**	86,072
Prepaid expenses and other assets		**97,401**	90,243
Property and equipment, net	6	**30,969**	14,240
Intangible assets	5 & 7	**37,713**	34,720
Goodwill	4 & 5	**24,415**	24,415
Statutory deposit		**64,640**	64,640
Accrued income on statutory deposit		**10,764**	10,114
Accrued commission income	9	**7,419**	3,882
TOTAL ASSETS		**3,447,181**	2,880,102

Mohammed

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Notes	2021	2020
		SAR'000	
LIABILITIES			
Policyholders claims payable		**47,658**	34,794
Accrued and other liabilities	13	**190,702**	152,190
Reinsurers' balances payable		**335,026**	232,814
Unearned premiums	11.2	**1,074,103**	789,964
Unearned reinsurance commission	11.3	**31,258**	20,472
Outstanding claims	11.1	**480,616**	233,498
Claims incurred but not reported	11.1	**266,202**	170,977
Gross mathematical reserves		**123,696**	138,959
Additional premium reserves	11.1	**9,054**	26,010
Other technical reserves	11.1	**7,701**	8,642
Due to shareholders' operations		**4,437**	86,072
End-of-service indemnities	15	**21,982**	21,724
Zakat and income tax	20	**31,208**	28,864
Accrued commission income payable to SAMA		**10,764**	10,114
Surplus distribution payable	14	**2,148**	9,774
TOTAL LIABILITIES		**2,636,555**	1,964,868
EQUITY			
Share capital	21	**646,397**	646,397
Share premium	21	**103,277**	103,277
Statutory reserve		**63,327**	63,327
(Accumulated losses)/ Retained earnings		**(40,750)**	81,304
Fair value reserve on investments - available-for-sale	8	**38,522**	21,989
TOTAL SHAREHOLDERS' EQUITY		**810,773**	916,294
Re-measurement reserve for end-of-service indemnities – related to insurance operations	15	**(147)**	(1,060)
TOTAL EQUITY		**810,626**	915,234
TOTAL LIABILITIES AND EQUITY		**3,447,181**	2,880,102
Commitments and contingencies	12	-	-

Mohammad

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
		SAR'000	
REVENUES			
Gross premiums written			
- Direct		**2,233,486**	1,464,055
- Reinsurance		**105,348**	8,648
	11.2	**2,338,834**	1,472,703
Reinsurance premiums ceded			
- Local ceded		**(16,519)**	(11,866)
- Foreign ceded		**(1,166,610)**	(597,154)
	11.2	**(1,183,129)**	(609,020)
Excess of loss expenses	11.2	**(5,144)**	(13,747)
Net premiums written		**1,150,561**	849,936
Changes in unearned premiums	11.2	**(284,139)**	(109,854)
Changes in reinsurers' share of unearned premiums	11.2	**175,108**	56,530
Net premiums earned		**1,041,530**	796,612
Reinsurance commissions	11.3	**76,162**	41,047
Other underwriting income		**3,634**	11,218
TOTAL REVENUES		**1,121,326**	848,877
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**1,005,078**	592,437
Surrenders and maturities		**17,447**	16,507
Expenses incurred related to claims		**20,175**	33,602
Reinsurers' share of claims paid		**(147,905)**	(66,180)
Net claims and other benefits paid		**894,795**	576,366
Changes in outstanding claims	11.1	**247,118**	72,653
Changes in reinsurance share of outstanding claims	11.1	**(176,028)**	(47,806)
Changes in claims incurred but not reported	11.1	**95,225**	(47,807)
Changes in reinsurance share of claims incurred but not reported	11.1	**(91,955)**	4,012
Net claims and other benefits incurred		**969,155**	557,418
Additional premium reserves	11.1	**(16,956)**	21,040
Other technical reserves	11.1	**(941)**	(22,467)
Policy acquisition costs	11.3	**60,119**	48,229
Other underwriting expenses		**105,962**	32,365
TOTAL UNDERWRITING COSTS AND EXPENSES		**1,117,339**	636,585
NET UNDERWRITING INCOME		**3,987**	212,292

Mohammad

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Notes	2021	2020
		SAR'000	
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts	10	**(17,198)**	(8,155)
General and administrative expenses	26	**(150,898)**	(141,849)
Commission income	27 & 9	**23,812**	14,944
Dividend income on investments	27 & 8	**9,601**	2,519
Impairment on available for sale investments	27 & 8	**(6,765)**	-
Realized gain on available for sale investments	27 & 8	**15,074**	500
Realized gain on held for trading investments	27 & 8	**8,018**	-
Unrealized gain on held for trading investments	27 & 8	**1,572**	-
TOTAL OTHER OPERATING EXPENSES		**(116,784)**	(132,041)
Total (loss)/ income for the year before zakat & income tax and surplus attribution		**(112,797)**	80,251
Zakat	20	**(9,257)**	(20,380)
Income tax	20	**-**	(1,122)
TOTAL (LOSS)/ INCOME FOR THE YEAR		**(122,054)**	58,749
Net income attributed to the insurance operations	29	**-**	(7,626)
Net (loss)/ income attributable to the shareholders		**(122,054)**	51,123
(Loss)/ Earnings per share (expressed in SAR per share)			
Basic and diluted (Loss)/ Earnings per share	23	**(1.89)**	0.82
Weighted average number of ordinary outstanding shares (in 'thousands)		**64,640**	62,699

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Notes	2021	2020
		SAR'000	
Total (loss)/ income for the year		**(122,054)**	58,749
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gain for end-of-service indemnities	15	**913**	356
Items that are or may be reclassified to statements of income in subsequent years			
Available for sale investments:			
- Net change in fair value	8	**31,607**	4,839
- Net amounts transferred to statement of income	27	**(15,074)**	(500)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		**(104,608)**	63,444
Net comprehensive income attributed to the insurance operations		**(913)**	(7,982)
Net comprehensive (loss)/ income for the year attributable to the shareholders		**(105,521)**	55,462

Mohammad

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

		Related to shareholders							
	Notes	Share capital	Share premium	Statutory reserve	Retained earnings	Fair value reserve on investments	Total shareholders' equity	Re-measurement reserve for end-of-service indemnities	Total equity
						SAR '000			
January 1, 2021		**646,397**	**103,277**	**63,327**	**81,304**	**21,989**	**916,294**	**(1,060)**	**915,234**
Total comprehensive (loss)/ income for the year									
Unrealized fair value changes on available-for-sale investments	8	-	-	-	-	**31,607**	**31,607**	-	**31,607**
Transfer to statement of income		-	-	-	-	**(15,074)**	**(15,074)**	-	**(15,074)**
Actuarial gain for end-of-service indemnities - related to insurance operations	15	-	-	-	-	-	-	**913**	**913**
Net loss for the year attributable to shareholders		-	-	-	**(122,054)**	-	**(122,054)**	-	**(122,054)**
Total comprehensive (loss)/ income for the year attributable to shareholders		-	-	-	**(122,054)**	**16,533**	**(105,521)**	**913**	**(104,608)**
December 31, 2021		**646,397**	**103,277**	**63,327**	**(40,750)**	**38,522**	**810,773**	**(147)**	**810,626**

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

		Related to shareholders							
	Notes	Share capital	Share premium	Statutory reserve	Retained earnings	Fair value reserve on investments	Total shareholders' equity	Re-measurement reserve for end-of-service indemnities	Total equity
						SAR '000			
January 1, 2020		528,000	30,108	53,102	40,406	17,650	669,266	(2,714)	666,552
Total comprehensive income for the year									
Unrealized fair value changes on available-for-sale investments	8	-	-	-	-	4,839	4,839	-	4,839
Actuarial gain for end-of-service indemnities - related to insurance operations	15	-	-	-	-	-	-	356	356
Re-measurement reserve added due to merger		-	-	-	-	-	-	1,298	1,298
Transfer to statement of income		-	-	-	-	(500)	(500)	-	(500)
Net income for the year attributable to shareholders		-	-	-	51,123	-	51,123	-	51,123
Total comprehensive income for the year attributable to shareholders		-	-	-	51,123	4,339	55,462	1,654	57,116
Issuance of shares	4	118,397	-	-	-	-	118,397	-	118,397
Share Premium		-	73,169	-	-	-	73,169	-	73,169
Transfer to statutory reserve		-	-	10,225	(10,225)	-	-	-	-
December 31, 2020		646,397	103,277	63,327	81,304	21,989	916,294	(1,060)	915,234

Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	2021	2020
	SAR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/ income for the year before zakat and income tax	**(112,797)**	80,251
Adjustments for non-cash items:		
Depreciation of property and equipment	**8,676**	8,816
Amortization of intangible assets	**1,904**	733
Allowance for doubtful debts	**17,198**	8,155
Dividend income	**(9,601)**	(2,519)
Gain on disposal of available for sale investments	**(15,074)**	(500)
Gain on disposal of held for trading investments	**(8,018)**	-
Commission income on deposits	**(23,812)**	(14,944)
Amortization of held to maturity investments	**258**	226
Unrealized gain on held for trading investments	**(1,572)**	-
Provision for end-of-service indemnities	**3,728**	3,849
Finance cost	**76**	178
Impairment on available for sale investments	**6,765**	-
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	**(269,022)**	(164,020)
Reinsurers' share of unearned premiums	**(175,108)**	(56,530)
Reinsurers' share of outstanding claims	**(176,028)**	(47,806)
Reinsurers' share of claims incurred but not reported	**(91,955)**	4,012
Reinsurers' share of mathematical reserves	**15,263**	16,230
Deferred policy acquisition costs	**(11,121)**	(5,905)
Prepaid expenses and other assets	**(7,158)**	(29,551)
Policyholders claims payable	**12,864**	7,580
Accrued and other liabilities	**37,113**	51,245
Reinsurers' balances payable	**102,212**	24,356
Unearned premiums	**284,139**	109,854
Unearned reinsurance commission	**10,786**	1,021
Outstanding claims	**247,118**	72,653
Claims incurred but not reported	**95,225**	(47,807)
Gross mathematical reserves	**(15,263)**	(16,230)
Additional premium reserves	**(16,956)**	21,040
Other technical reserves	**(941)**	(22,467)
	(91,101)	1,920
End-of-service indemnities paid	**(2,557)**	(955)
Zakat and income tax paid	**(6,913)**	(12,064)
Net cash used in operating activities	**(100,571)**	(11,099)

Mohammad

Chief Financial Officer | Chief Executive Officer | Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

WALAA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	2021	2020
	SAR'000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available for sale investments	**(178,048)**	(32,170)
Disposals of available for sale investments	**119,726**	3,700
Movement in held for trading Investments, net	**(76,778)**	-
Purchase of investments held at amortized cost	**(88,172)**	(75,284)
Additions in intangible assets	**(4,077)**	(967)
Commission income received on investments	**20,275**	16,121
Dividend received on investments	**9,601**	2,519
Disposals of short term deposits	**15,615**	126,851
(Additions)/ disposals in long term deposits	**(50,000)**	39,000
Additions in property and equipment	**(26,479)**	(4,975)
Cash and cash equivalents acquired through business combination	**-**	43,589
Net cash (used in)/ generated from investing activities	**(258,337)**	118,384
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in statutory deposits	**-**	23,160
Lease liability paid	**(3,334)**	(4,073)
Net cash (used in)/ generated from financing activities	**(3,334)**	19,087
Net change in cash and cash equivalents	**(362,242)**	126,372
Cash and cash equivalents, beginning of the year	**687,297**	560,925
Cash and cash equivalents, end of the year	**325,055**	687,297
Non-cash information		
Unrealized changes in fair value of available for sale investments	**31,607**	4,839
Actuarial gain on end-of-service indemnities	**913**	356

mohannad
Chief Financial Officer

Chief Executive Officer

Board Member

The accompanying notes 1 to 31 form an integral part of these financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Walaa Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (S/114) dated 02/05/1428H. The Company operates under UNN 7001526578 (formerly Commercial Registration no. 2051034982) dated Jumada II 19, 1428H corresponding to July 4, 2007. The registered address of the Company's head office is as follows:

Walaa Cooperative Insurance Company
Head Office
4513, Adh Dhahran Al Khubar Al Janubiyah
Unit No: 8, Al-Khobar 34621-8615
Kingdom of Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, casualty insurance and protection & savings.

On 2 Jumada II, 1424H, corresponding to July 31, 2003, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 28 Jumada II, 1429H corresponding to July 2, 2008, the Saudi Central Bank (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license number (TMN/16/20087) to transact insurance activities in Saudi Arabia.

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

The share capital of the Company as of December 31, 2021 is amounted to SAR 646.4 million comprising of 64.6 million shares of SAR 10 each (December 31, 2020: SAR 646.4 million comprising of 64.6 million shares of SAR 10 each). Refer note 21.

Proposed merger
The Company signed a non-binding Memorandum of Understanding (the “MOU”) with SABB Takaful Company (“SABB Takaful”) on 05/12/1442H (corresponding to 15/07/2021G) to evaluate a potential merger between the two companies. Later, the Company announced on Tadawul’s website on 07/06/1443H (corresponding to 10/01/2022G) the extension of the MOU for another 45 days expiring on 24/02/2022G. The Company announced further on 26/07/1443H (corresponding to 27/02/2022G) that it has signed a binding merger agreement with SABB Takaful on 23/07/1443H (corresponding to 24/02/2022G) (the “Merger Agreement”) reflecting the agreement of both companies to merge through a share swap transaction, whereby Walaa shall issue /0.6005476176470590/ nominal shares in Walaa against each issued share in SABB Takaful (“Exchange Ratio”), to the benefit of eligible shareholders in SABB Takaful (i.e., shareholders owning the shares issued in SABB Takaful Company on the effective date of the Merger Transaction) and as consideration for the transfer of assets and liabilities of SABB Takaful, and without any additional cash consideration being paid (“Merger Transaction” or “Merger”). This is in accordance with the Companies Law issued by the Ministry of Commerce, the regulations of the Capital Market Authority (“CMA”), including the Mergers and Acquisitions Regulations, the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules issued by the Saudi Stock Exchange (Tadawul), as well as the relevant regulations of the Saudi Central Bank (“SAMA”). The said merger is subject to approval by concerned regulatory authorities and by shareholders of both Companies in their Extraordinary General Assembly Meetings.

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement
These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On July 23, 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia.

These financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available-for-sale held to maturity investments and end of service benefits. The Company’s statement of financial position is not presented using a current / non-current classification. Except for property and equipment, intangible assets, goodwill, long term deposits, statutory deposit, held to maturity investments (included in investments), lease liabilities (included in accrued other liabilities) and end-of-service benefits 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 (Note 29). 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.

SAMA implementing regulations require the clear segregation of the assets, liabilities, income, and expenses of the insurance and shareholders’ operations. Accordingly, The statement of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations are presented in Note 29 as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations.

In preparing the Company-level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. The accounting policies adopted for the insurance operations and shareholders’ operations are uniform for like transactions and events in similar circumstances.

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

(c) Fiscal year
The Company follows a fiscal year ending December 31.

2. BASIS OF PREPARATION (CONTINUED)

(d) Critical accounting judgments, estimates and assumptions

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

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

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting year both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting year, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The provision for outstanding claims, as at December 31, is also verified by an independent actuary.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary had also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. Generally, a period of twelve months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

2. BASIS OF PREPARATION (CONTINUED)

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

iv) Fair value of financial instruments (continued)

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

v) Impact of Covid-19

On 11 March 2020, the World Health Organisation ("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 implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management proactively assessed its impacts on its operations and took 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 was seen in medical and motor line of business. 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 management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast. Further, the Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

However, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented. There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 but they do not have a material effect on the Company's Financial Statements. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.
The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

Standard/ Interpretation/ Amendment	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance Contracts (refer below)	1-Jan-23
IFRS 9	Financial Instruments (refer below)	1-Jan-23

i) IFRS 17 – Insurance Contracts

Overview

IFRS 17 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 (IFRS 9 and IFRS 15).

Measurement

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

The General model is based on the following "building blocks":

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

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

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 17 – Insurance Contracts (Continued)

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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

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

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

Effective date
The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) IFRS 17 – Insurance Contracts (continued)

Impact

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders
Operational area	The Company has completed phase 3 from 4 phase plan for IFRS 17 as developed by SAMA that was comprised of designing operational aspects and establishing of comprehensive data policy and data dictionary. Also the Company has finalized architectural designs for various sub-systems and now, the Company is progressing toward implementation of new systems to cover operational gaps identified during business assessments.
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. All these policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company has finalized its assurance plan as part of Phase 3 Implementation plan as designed by SAMA.
Systems	After considering multiple options and assessments of existing systems capabilities for IFRS 17 calculations, storage and reporting, the company selected Oracle Financial Services Analytical Application (OFSAA) and FIS software for Actuarial Services. These tools are at final stages of implementations. The project management committee and steering committee are observing the progress of these tools.
Financial Impact	The Company has ascertained the financial impact on reported balances of year 2018. As the Company's most of insurance contracts are short-termed and short tailed entitling for premium allocation approach (PAA) which is largely similar to current account practice, no significant impact is expected. The Company has also successfully finalized the reassessment of 2020 results as part of the 1st Dry-Run orchestrated by the regulator and submitted on 30 November 2021 to SAMA. Based on the conducted simulation, the financial impact of applying IFRS 17 compared to IFRS 4 was also not significant. The Company will solidify its view on the financial impact while completing the 2nd and 3rd dry-runs, planned before the end of 2022.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) 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:

Classification and measurement:

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

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

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

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

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

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

Impairment:

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

Hedge accounting:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) IFRS 9 – Financial Instruments (continued)

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 has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

The Company has performed a detailed assessment beginning January 1, 2018:

(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.

iii) Impact assessment for IFRS 9 – Financial Instruments

As at December 31, 2021, the Company has total financial assets (including insurance receivables / reinsurance recoverable) and insurance related assets amounting to SR 2,569 thousand and SR 1,769 thousand, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 2,108,560 thousand (2020: SR 1,794,876 thousand). Other financial assets consist of available for sale investments amounting to SR 460,922 thousand (2020: SR 291,390 thousand). The Company expect to use the FVOCI classification on available for sale investments and FVTPL classification on held for trading investments 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. The company is also in process of building non-performance risk quantification for certain reinsurance held arrangements based on IFRS 9 ECL simplified approach.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Impact assessment for IFRS 9 – Financial Instruments (continued)

As at December 31, 2021 debt securities are measured at fair value of SR 312,315 thousand with changes in fair value during the year of nil. Other financial assets include unquoted investments amounting to SR 112,914 thousand as at December 31, 2021 with a fair value change during the year of nil, refer note 17. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 28. The Company financial assets have low credit risk as at December 31, 2021 and 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.

iv) Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

v) Revenue Recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on 365 days pro rata method except for long term polices (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Last three months premium at a reporting date is considered as unearned 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 increases towards the end of the tenure of the policy; and

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

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Commission income on investments

Commission income on time deposits and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method.

Dividend income on investments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

vi) Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

vii) Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

viii) Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3(iv) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position - insurance operations' representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 3(xviii).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ix) Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

x) 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.

xi) Receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other operating expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, settled or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 10 fall under the scope of IFRS 4 "Insurance contracts".

xii) Investments

xiia) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available for sale investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments."

Dividend, commission income and foreign currency gain/(loss) on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income, as part of the net investment income / loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the statement of income, as an impairment charge.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xii) Investments

xiia) Available for sales (continued)

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

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification:
The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the Effective Interest Rate "EIR". If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

xiib) *Held to maturity*

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

xiii) De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

xiv) Offsetting

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

xv) Trade date accounting

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

xvi) Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvi) Impairment of financial assets (continued)

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

• adverse changes in the payment status of issuers or debtors in the Company; or
• national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

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

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

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

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

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

xvii) Property and equipment

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

	No of years
Furniture, fixture and office equipment	5
Computer equipment	4
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xviii) Intangible assets

Separately acquired intangible assets (computer software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the period of 4 years.

xix) Goodwill:

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

Impairment testing of goodwill: The Company's management tests, on an annual basis, whether goodwill arising on merger has suffered any impairment. This requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The key assumptions used in determining the recoverable amounts are set out in Note 4.

xx) Impairment of non-financial assets

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

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

xxi) Provisions, accrued expenses and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

xxii) Employees' end-of-service benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxiii) Leases

The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Policies applicable from January 1, 2019

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these short term leases and leases of low value assets, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxii. Leases (continued)

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxiv) Dividend distribution

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

xxv) Cash and cash equivalents

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

xxvi) Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

xxvii) Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Arabian Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income**.** As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

xxviii) Zakat and taxes

Zakat and income tax are provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) known previously as the General Authority of Zakat and Tax ("the GAZT") in the Kingdom of Saudi Arabia. Zakat provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Income tax is charged to the statement of income. The Company is settling the zakat and income tax annually to ZATCA.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Deferred income tax:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxix) Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its annual net income from shareholders' operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

xxx) Operating segments

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

- Medical insurance provides coverage for health insurance.
- Motor insurance provides coverage for vehicles' insurance.
- Property insurance provides coverage for property insurance.
- Engineering insurance provides coverage for engineering and contract works.
- Other insurance provides coverage for marine and other general insurance.

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

No inter-segment transactions occurred during the year. If any transaction was 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. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis

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

xxx) Unearned reinsurance commission

Commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortisation is recorded in the statement of income.

xxxi) Short-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition

xxxii) Fair values

The fair value of financial assets is based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques if required. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION

During the year ended December 31, 2020, the shareholders in the EGM held on January 27, 2020 corresponding to 2 Jumada II 1441H approved the proposed merger of the Company and MAA to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28/1/1437H (corresponding to 10/11/2015G), through the issuance of 0.657761444444444 new shares in the Company for each share in MAA subject to the terms and conditions of the Merger Agreement.

The purchase consideration was determined to be SAR 191,566 thousands which consisted of the issue of 11,839,706 new shares to the shareholders of MAA.

The Company has undertaken a comprehensive purchase price allocation and has identified the following intangible assets. Their valuation approach and methodologies are further detailed below:

	Shareholders' operations
	2021
	SAR'000
Goodwill	**24,415**
Intangible Assets acquired in merger	
- Customer Contract ('ALICO')	**5,454**
- Customer Relationship	**2,832**
- Product Licenses (Protection & savings)	**24,847**
Total	**57,548**

Customer Contract ('ALICO')
On the Acquisition Date, Walaa acquired the Saudi run-off portfolio of American Life Insurance Company "ALICO" which was transferred initially to MAA on April 1st, 2015 as per the portfolio transfer agreement entered between MetLife ALICO and MAA and was 100% reinsured back to MetLife under a quota-share reinsurance agreement. This portfolio includes long term life protection, savings insurance products and personal accident policies. As per the terms of the portfolio transfer agreement and the quota-share reinsurance agreement, the Company is entitled to a reinsurance commission at an agreed rate and reimbursement of all expenses related to administration of the portfolio. The management has employed "Multi Period Excess Earning Method" for valuing the contractual customer relationship and is considered to have a useful life of 83 years based on the run-off of the customer portfolio.

Customer Relationship
IAS 38 specifies that if an entity can evidence that it can control economic benefits from non-contractual relationships, those customer relationships are identified as separable and can be recognized as an intangible asset. Arab National Bank ("has a relationship and was also 30% stakeholder of MAA) has historically contributed a consistent revenue stream for MAA with various insurance agreements. Hence, the relationship has been regarded to represent a Customer Relationship intangible. The management has employed "Multi Period Excess Earning Method" for valuing the non-contractual customer relationship and is considered to have a useful life of 6 years.

Product Licenses
As a result of the Transaction, Walaa acquired the Protection & savings Insurance License. This license has been identified as an intangible asset. This life insurance intangible was valued using the "Multi Period Excess Earning Method" from the Protection & savings Line of Business for valuing product licenses. This is considered to be an intangible asset with an indefinite life and will therefore be subject to the annual impairment assessments.

5. IMPAIRMENT TESTING OF GOODWILL AND PRODUCT LICENSE ACQUIRED IN BUSINESS COMBINATION

The goodwill and intangible assets with indefinite life acquired through business combinations as referred to Note 4 will be reviewed annually, and assessed the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill and intangible assets with indefinite life are related. Intangible assets with indefinite life acquired through business combinations includes “Product Licenses” referred to above.

As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

IAS 36 defines an asset’s cash generating unit as the smallest group of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets. As such for the purpose of impairment assessment performed, MAA combined with entity of Walaa Cooperative Insurance Company (i.e. the Company) is considered as a single CGU.

Key assumptions used in impairment assessment

The recoverable amount of the cash-generating units has been determined based on a value in use calculation, using cash flow projections covering a five-year period and by applying a terminal growth rate thereafter. The calculation of value in use in the cash-generating units is most sensitive to the following assumptions:

- Future cash flows available from operations;
- Weighted average cost of capital at 14.00%
- Terminal growth rate at 2%

Based on the current impairment assessment, goodwill and intangible assets are not impaired as at 31 December 2021.

This assessment was carried out by an independent consultant appointed by the Company in their draft report dated February 22, 2022. This includes a forecast of cash flows discounted using the WACC (Weighted Average Cost of Capital) in the jurisdiction where the Company operates. As per this assessment, the recoverable value of the CGU is SAR 1,153.2 million. A one percentage point change in the discount rate or the terminal growth rate keeping other factors constant would impact the recoverable amount of the CGUs as mentioned in the table below:

Value in Millions	Change in Growth rate		
Change in WACC	**1%**	**2%**	**3%**
13.00%	1,167.0	1,194.0	1,226.3
14.00%	1,131.2	1,153.2	1,179.1
15.00%	1,100.9	1,118.9	1,140.0

6. PROPERTY AND EQUIPMENT

	Land	**Furniture and fixtures**	**Computer equipment**	**Vehicles**	**Right of use assets**	**Total 2021**	Total 2020
				SAR'000			
Cost:							
January 1, 2021	-	20,092	20,877	657	11,851	**53,477**	39,127
Acquired during merger	-	-	-	-	-	-	9,375
Reclassifications	-	(817)	(2,351)	-	-	**(3,168)**	-
Additions	16,400	618	3,100	57	6,304	**26,479**	4,975
Disposals	-	-	-	-	-	**-**	-
December 31, 2021	**16,400**	**19,893**	**21,626**	**714**	**18,155**	**76,788**	53,477
Accumulated Depreciation:							
January 1,2021	-	14,390	16,481	620	7,747	**39,239**	21,777
Acquired during merger	-	-	-	-	-	-	8,644
Charge for the year	-	2,534	2,404	39	3,699	**8,676**	8,816
Reclassifications/adjustments	-	(636)	(1,718)	-	259	**(2,095)**	-
December 31,2021	**-**	**16,288**	**17,167**	**659**	**11,705**	**45,819**	39,237
Net book value							
December 31, 2021	**16,400**	**3,605**	**4,459**	**55**	**6,450**	**30,969**	**-**
December 31, 2020	-	5,702	4,396	37	4,104	-	14,240

7. INTANGIBLE ASSETS

	Internally generated software	**Customer Contract (Metlife ALICO)**	**Customer Relations (ANB)**	**Life License**	**Total 2021**	Total 2020
			SAR'000			
Cost:						
January 1,2021	9,301	5,454	2,832	24,847	**42,434**	4,074
Acquired during merger	-	-	-	-	-	4,260
Reclassifications	3,168	-	-	-	**3,168**	-
Additions	4,077	-	-	-	**4,077**	34,100
December 31,2021	**16,546**	**5,454**	**2,832**	**24,847**	**49,679**	42,434
Accumulated depreciation:						
January 1,2021	7,714	-	-	-	**7,714**	2,946
Acquired during merger	-	-	-	-	-	4,035
Charge for the year	1,296	130	472	-	**1,898**	733
Reclassifications	2,354	-	-	-	**2,354**	-
December 31,2021	**11,364**	**130**	**472**	**-**	**11,966**	**7,714**
Net book value as at						
December 31, 2021	**5,182**	**5,324**	**2,360**	**24,847**	**37,713**	-
December 31, 2020	1,587	5,454	2,832	24,847	-	34,720

8. INVESTMENTS

Investments are classified as follows:

	Shareholders' operations	
	2021	2020
	SAR'000	
Available for sale investments	**374,554**	291,390
Held for trading	**86,367**	-
Held to maturity	**249,367**	224,400
	710,288	515,790

	Policyholders' operations	
	2021	2020
	SAR'000	
Held to maturity	**62,948**	-
	62,948	-

	Total	
	2021	2020
	SAR'000	
Available for sale investments	**374,554**	291,390
Held for trading	**86,367**	-
Held to maturity	**312,315**	224,400
	773,236	515,790

i) Available-for-sale

	Domestic		International		Total	
	2021	2020	**2021**	2020	**2021**	2020
	SAR'000		SAR'000		SAR'000	
Equities	**374,554**	277,204	**-**	14,186	**374,554**	291,390
Available for sale	**374,554**	277,204	**-**	14,186	**374,554**	291,390

Movement in available for sale investments are as follows:

	Quoted securities	Unquoted securities	Total
		SAR'000	
As of January 1, 2021	**245,849**	**45,541**	**291,390**
Purchases	**79,668**	**98,380**	**178,048**
Impairment on investments	**-**	**(6,765)**	**(6,765)**
Disposals	**(119,726)**	**-**	**(119,726)**
Changes in fair value of investments, net	**31,607**	**-**	**31,607**
As at December 31, 2021	**237,398**	**137,156**	**374,554**
As of January 1, 2020	231,783	23,123	254,906
Acquired through business combination	-	3,175	3,175
Purchases	13,927	19,243	32,170
Disposals	(3,700)	-	(3,700)
Changes in fair value of investments, net	4,839	-	4,839
As at December 31, 2020	245,849	45,541	291,390

ii) Held for trading

	Domestic		International		Total	
	2021	2020	**2021**	2020	**2021**	2020
	SAR'000		SAR'000		SAR'000	
Equities	**86,367**	**-**	**-**	**-**	**86,367**	**-**
Held for trading	**86,367**	**-**	**-**	**-**	**86,367**	**-**

Movement in held for trading are as follows:

	Quoted securities	Unquoted securities	Total
		SAR'000	
As at January 1, 2021	-	-	-
Purchases during the year	**188,078**	-	**188,078**
Disposals during the year	**(95,265)**	-	**(95,265)**
Realized gain on disposals	**(8,018)**	-	**(8,018)**
Unrealized gain on investments	**1,572**	-	**1,572**
As at December 31, 2021	**86,367**	-	**86,367**

iii) Held to maturity

	Domestic		International		Total	
	2021	2020	**2021**	2020	**2021**	2020
	SAR'000		SAR'000		SAR'000	
Sukuks	**312,315**	224,400	**-**	**-**	**312,315**	224,400
Held to maturity	**312,315**	224,400	**-**	**-**	**312,315**	224,400

Movement in held to maturity investments are as follows:

	2021	2020
Sukuks	SAR'000	
As of January 1	**224,400**	149,342
Purchases	**88,172**	75,284
Amortization/ adjustments	**(258)**	(226)
As at December 31	**312,315**	224,400

9. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

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

	Insurance operations	
	2021	2020
	SAR'000	
Cash and cash equivalents	**322,883**	687,297
Total	**322,883**	687,297

	Shareholders' operations	
	2021	2020
	SAR'000	
Cash and cash equivalents	**2,172**	-
Total	**2,172**	-
Total cash and cash equivalents	**325,055**	687,297

b) Short term deposits:
Short term deposits are placed with counterparties that have credit ratings equivalent to BBB+ to BBB ratings under standard and Poor's Fitch and Moody's rating Methodology. Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia within a maturity greater than three months from the date of original acquisition and earned Commission Income at an average rate of 1.64% (2020: 2.44%) per annum. For the year end December 31, 2021, the carrying amounts of the short-term deposits reasonably approximate to the fair value at the statement of financial position date.

10. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	2021	2020
	SAR'000	
Policyholders	**201,080**	63,511
Brokers and agents	**393,052**	274,934
Related parties (note 19)	**5,938**	28,318
Receivables from reinsurers	**32,702**	5,574
	632,772	372,337
Less: provision for doubtful receivables	**(50,643)**	(39,317)
Premiums and reinsurers' receivable – net	**582,129**	333,020

10. PREMIUMS AND REINSURERS' RECEIVABLE - NET (CONTINUED)

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

	2021	2020
	SAR'000	
Balance, January 1	**39,321**	42,616
Addition from merger	**-**	4,058
Provision for the year	**17,198**	8,155
Provision written off	**(5,876)**	(15,512)
Balance, December 31	**50,643**	39,317

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

Premiums receivable

Premium and reinsurance receivables	**Total**	**Neither impaired nor past due**	**Past due but not impaired** 91-180 days	**181-360 days**	**More than 360 days**
			SAR'000		
- Policyholders	**543,916**	**433,969**	**77,937**	**25,132**	**6,878**
- Due from related parties	**5,823**	**5,749**	**8**	**32**	**34**
- Receivable from reinsurers	**32,390**	**27,110**	**3,710**	**1,466**	**104**
2021	**582,129**	**466,828**	**81,655**	**26,630**	**7,016**

Premium and reinsurance receivables	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
			SAR'000		
- Policyholders	300,876	246,466	35,807	11,044	7,559
- Due from related parties	28,053	26,043	1,938	63	9
- Receivable from reinsurers	4,091	413	3,291	29	358
2020	333,020	272,922	41,036	11,136	7,926

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

The five largest customers accounts for 35% (2020: 42%) of the premiums receivable as at December 31, 2021.

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021	2020
	SAR'000	
Outstanding claims	**480,616**	233,498
Gross Claims incurred but not reported	**283,457**	183,235
Less: Net realizable value of salvage	**(17,255)**	(12,258)
Claims incurred but not reported	**266,202**	170,977
Additional premium reserves:		
- Premium deficiency reserve	**9,054**	26,010
	9,054	26,010
Other technical reserves:		
- Non-proportional reinsurance accrual reserve	**7,701**	8,642
	7,701	8,642
	763,573	439,127
Less:		
- Reinsurers' share of outstanding claims	**(338,919)**	(162,891)
- Reinsurers' share of claims incurred but not reported	**(149,655)**	(57,700)
	(488,574)	(220,591)
Net outstanding claims and reserves	**274,999**	218,536

11.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended December 31, 2021		
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	**789,964**	**(363,490)**	**426,474**
Premiums written during the year	**2,338,834**	**(1,188,273)**	**1,150,561**
Premiums earned during the year	**(2,054,695)**	**1,013,165**	**(1,041,530)**
Balance as at the end of the year	**1,074,103**	**(538,598)**	**535,505**

11. TECHNICAL RESERVES (CONTINUED)

11.2 Movement in unearned premiums (continued)

	For the year ended December 31, 2020		
	Gross	Reinsurance	Net
		SAR'000	
Balance as at the beginning of the year	637,828	(274,137)	363,691
Additions from merger	42,282	(32,823)	9,459
Premiums written during the year	1,472,703	(622,767)	849,936
Premiums earned during the year	(1,362,849)	566,237	(796,611)
Balance as at the end of the year	789,964	(363,490)	426,474

11.3 Movement in deferred policy acquisition costs and unearned reinsurance commission

	For the year ended December 31, 2021	
	Deferred policy acquisition cost	**Unearned reinsurance commission**
	SAR'000	
Balance, January 1	25,355	20,472
Incurred during the year	**71,240**	**86,948**
Amortized/ earned during the year	**(60,119)**	**(76,162)**
Balance, December 31	**36,476**	**31,258**

	For the year ended December 31, 2020	
	Deferred policy acquisition cost	Unearned reinsurance commission
	SAR'000	
Balance, January 1	16,733	14,086
Additions from merger	2,717	5,365
Incurred during the year	54,134	42,068
Amortized/ earned during the year	(48,229)	(41,047)
Balance, December 31	25,355	20,472

12. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2021	December 31, 2020
	SAR'000	
Letters of guarantee	**8,125**	9,254

The company has submitted these bank guarantees to various parties which are fully covered by margin deposits amounting to SAR 8.1 million (2020: SAR 9.3 million).

b) The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company's income or financial condition.

13. ACCRUED AND OTHER LIABILITIES

	2021	2020
	SAR'000	
Accrued expenses	**7,889**	12,887
Marketing representative commissions	**41,236**	28,941
VAT Payable to Zakat, Tax, and Customs Authority, net	**27,881**	28,067
Contribution payable to GOSI	**673**	770
Payable to suppliers and service provider	**85,138**	46,295
Lease rental	**5,567**	2,941
Other liabilities	**22,318**	32,289
	190,702	152,190

Maturity analysis of lease rentals is as follows:

	2021	2020
	SAR'000	
Payable within one year	**2,948**	1,129
Payable more than one year but less than five years	**2,619**	1,812
	5,567	2,941

14. SURPLUS DISTRIBUTION PAYABLE

	2021	2020
	SAR'000	
Opening surplus distribution payable as at January 1,	**9,774**	3,491
Total income attributed to the insurance operations during the year	**-**	7,626
Transfer for payments	**(7,626)**	(1,343)
Closing surplus distribution payable as at December 31,	**2,148**	9,774

15. EMPLOYEE'S 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. 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:

15.1 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	2020
	SAR'000	
Present value of defined benefit obligation	**21,982**	21,724

15.2 Movement of defined benefit obligation

	2021	2020
	SAR'000	
Opening balance	**21,724**	17,906
Additions from merger	**-**	1,280
Charge to statement of income	**3,728**	3,849
Charge to statement of comprehensive income	**(913)**	(356)
Payment of benefits during the year	**(2,557)**	(955)
Closing balance	**21,982**	21,724

15. EMPLOYEE'S END-OF-SERVICE INDEMNITIES (CONTINUED)

15.3 Reconciliation of present value of defined benefit obligation

	2021	2020
	SAR'000	
Present value of defined benefit obligation as at January 1	**21,724**	17,906
Additions from merger	**-**	1,280
Current service costs	**3,157**	3,278
Financial costs	**571**	571
Actuarial loss from experience adjustments	**(913)**	(356)
Benefits paid during the year	**(2,557)**	(955)
Present value of defined benefit obligation as at December 31	**21,982**	21,724

15.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2021	2020
	SAR'000	
Valuation discount rate	**3.50%**	3.50%
Expected rate of increase in salary level across different age bands	**3.50%**	3.50%

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

	2021	2020
	SAR'000	
	Impact on defined benefit obligation	
Valuation discount rate		
- Increase by 100 bps	**21,981**	20,186
- Decrease by 100 bps	**25,650**	23,543
Expected rate of increase in salary level across different age bands		
- Increase by 100 bps	**23,712**	23,564
- Decrease by 100 bps	**20,492**	20,151

The average duration of the defined benefits plan obligation at the end of reporting period is 8.3 years (2020: 7.7 years).

16. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from year 2009 onwards whose claim experience has not been fully developed.

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

16. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Claims development table gross of reinsurance:

2021

Accident year	**2016 & Earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
				SAR'000			
Estimate of ultimate claims cost gross of reinsurance:							
At the end of accident year	**-**	**637,391**	**659,376**	**606,558**	**546,405**	**1,393,420**	**1,393,420**
One year later	**-**	**694,640**	**706,349**	**685,849**	**619,196**	**-**	**619,196**
Two years later	**-**	**706,888**	**710,958**	**719,388**	**-**	**-**	**719,388**
Three years later	**-**	**708,308**	**717,298**	**-**	**-**	**-**	**717,298**
Four years later	**-**	**712,211**	**-**	**-**	**-**	**-**	**712,211**
Five years later	**495,757**	**-**	**-**	**-**	**-**	**-**	**495,757**
Current estimate of cumulative claims	**495,757**	**712,211**	**717,298**	**719,388**	**619,196**	**1,393,420**	**4,657,270**
Cumulative payments to date	**(494,865)**	**(704,177)**	**(706,893)**	**(651,355)**	**(589,785)**	**(763,377)**	**(3,910,452)**
Liability recognized in statement of financial position	**893**	**8,035**	**10,405**	**68,032**	**29,411**	**630,043**	**746,818**
Premium deficiency reserve							**9,054**
Outstanding claims and reserves							**755,873**

2020

Accident year	2015 & Earlier	2016	2017	2018	2019	2020	Total
				SAR'000			
Estimate of ultimate claims cost gross of reinsurance:							
At the end of accident year	-	513,609	578,744	600,983	633,687	673,175	673,175
One year later	-	408,368	513,928	558,114	723,616	-	723,616
Two years later	-	373,951	488,505	712,448	-	-	712,448
Three years later	-	364,801	710,845	-	-	-	710,845
Four years later	-	495,715	-	-	-	-	495,715
Five years later	826,646	-	-	-	-	-	826,646
Current estimate of cumulative claims	826,646	495,715	710,845	712,448	723,616	673,175	4,142,445
Cumulative payments to date	(777,306)	(493,232)	(701,992)	(701,434)	(603,713)	(460,293)	(3,737,970)
Liability recognized in statement of financial position	49,340	2,483	8,853	11,014	119,903	212,882	404,475
Premium deficiency reserve							26,010
Outstanding claims and Reserves							430,485

16. CLAIMS DEVELOPMENT TABLE (CONTINUED)

Claims development table net of reinsurance:

2021

Accident year	**2016 & Earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
				SAR '000			
At the end of accident year	**-**	**603,159**	**635,586**	**545,768**	**525,053**	**950,748**	**950,748**
One year later	**-**	**653,201**	**677,961**	**582,000**	**588,643**	**-**	**588,643**
Two years later	**-**	**659,367**	**682,393**	**600,566**	**-**	**-**	**600,566**
Three years later	**-**	**660,767**	**688,648**	**-**	**-**	**-**	**688,648**
Four years later	**-**	**664,653**	**-**	**-**	**-**	**-**	**664,653**
Five years later	**463,157**	**-**	**-**	**-**	**-**	**-**	**463,157**
Current estimate of cumulative claims	**463,157**	**664,653**	**688,648**	**600,566**	**588,643**	**950,748**	**3,956,414**
Cumulative payments to date	**(463,097)**	**(661,978)**	**(681,774)**	**(588,060)**	**(569,886)**	**(733,376)**	**(3,698,170)**
Liability recognized in statement of financial position	**60**	**2,675**	**6,874**	**12,506**	**18,757**	**217,372**	**258,244**
Premium deficiency reserve							**9,054**
Outstanding claims and reserves							**267,298**

2020

Accident year	2015 & Earlier	2016	2017	2018	2019	2020	Total
				SAR '000			
At the end of accident year	-	454,496	528,730	560,868	584,043	590,086	590,086
One year later	-	361,782	460,899	524,197	591,412	-	591,412
Two years later	-	340,833	449,927	679,459	-	-	679,459
Three years later	-	338,196	660,016	-	-	-	660,016
Four years later	-	462,311	-	-	-	-	462,311
Five years later	588,245	-	-	-	-	-	588,245
Current estimate of cumulative claims	588,245	462,311	660,016	679,459	591,412	590,086	3,571,528
Cumulative payments to date	(586,684)	(459,949)	(656,656)	(669,859)	(563,806)	(450,690)	(3,387,644)
Liability recognized in statement of financial position	1,561	2,362	3,360	9,600	27,606	139,396	183,884
Premium deficiency reserve							26,010
Outstanding claims and reserves							209,894

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that cash and short-term deposits, premium and reinsurance receivables, receivables from related parties, trade and other payables 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.

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

Policyholders and Shareholders' Operations		**Fair value**			
December 31, 2021	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
		SAR '000			
Financial assets measured at fair value					
Available for sale investments	**237,398**	**237,398**	**-**	**-**	**237,398**
Held for trading Investments	**86,367**	**86,367**			**86,367**
	323,765	**323,765**	**-**	**-**	**323,765**

Policyholders and Shareholders' Operations		Fair value			
December 31, 2020	Carrying value	Level 1	Level 2	Level 3	Total
		SAR '000			
Financial assets measured at fair value					
- Available for sale investments					
- Quoted securities	245,849	245,849	-	-	245,849
	245,849	245,849	-	-	245,849

b. Measurement of fair values

The Company has investments amounting to SAR 137.156 million (31 December 2020: SAR 45.541 million) in unquoted securities and investments amounting to SAR 312.315 million in held to maturity investments recorded at amortized costs (31 December 2020: SAR 224.4 million). These investments in unquoted securities and recorded at amortized costs have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values for certain investments. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

Transfer between the levels
During the year, there were no transfers into or out of each level.

18. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's chief executive officer in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the chief executive officer is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

Segment assets do not include cash and cash equivalents, short term deposits, long term deposits, premiums and insurance balances receivable - net, due from shareholders' operations, investments, accrued commission income, prepaid expenses & other assets, property and equipment and intangible assets. Accordingly, these are included in unallocated assets.

Segment liabilities do not include policyholders' claims payables, accrued and other liabilities, reinsurance balances payable, due to shareholders' operations, end-of-service indemnities and accrual loss thereon, and insurance operations' surplus. Accordingly, these 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.

Segments do not include shareholders' assets and liabilities and equity hence, these are presented under unallocated assets / liabilities accordingly.

The segment information provided to the Company's chief executive officer 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:

18. OPERATING SEGMENTS (CONTINUED)

	As at December 31, 2021									
	Insurance operations									
	Medical	Motor	Property	Energy	Engineering	Protection &Savings	Others	Total - Insurance operations	Shareholders' operations	Total
	SAR'000									
Assets										
Reinsurers' share of unearned premiums	3,564	47	178,620	144,495	57,986	587	153,299	538,598	-	538,598
Reinsurers' share of outstanding claims	446	-	232,018	-	33,813	15,284	57,358	338,919	-	338,919
Reinsurers' share of claims incurred but not reported	-	-	33,416	63,217	34,280	6,735	12,007	149,655	-	149,655
Reinsurer's share of mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Deferred policy acquisition costs	10,548	13,005	3,241	37	3,414	123	6,108	36,476	-	36,476
Unallocated assets	-	-	-	-	-	-	-	1,404,958	854,879	2,259,837
Total assets	14,558	13,052	447,295	207,749	129,493	146,425	228,772	2,592,302	854,879	3,447,181
Liabilities and shareholders' equity										
Unearned premiums	196,922	304,320	184,173	145,081	61,650	3,491	178,466	1,074,103	-	1,074,103
Unearned Insurance commission	801	5	9,059	6,456	6,635	25	8,277	31,258	-	31,258
Outstanding claims	45,290	46,500	233,827	-	35,033	47,588	72,378	480,616	-	480,616
Claims incurred but not reported	29,675	68,348	34,273	63,339	35,431	18,872	16,264	266,202	-	266,202
Gross mathematical reserves	-	-	-	-	-	123,696	-	123,696	-	123,696
Additional Premium Reserve	86	8,841	-	-	-	127	-	9,054	-	9,054
Other Technical Reserve	614	5,468	146	12	165	445	851	7,701	-	7,701
Unallocated liabilities and shareholders' equity	-	-	-	-	-	-	-	599,672	854,879	1,454,551
Total liabilities and shareholders' equity	273,388	433,482	461,478	214,888	138,914	194,244	276,236	2,592,302	854,879	3,447,181

18. OPERATING SEGMENTS (CONTINUED)

	As at December 31, 2020								
	Insurance operations								
	Medical	Motor	Property	Engineering	Protection and Savings	Others	Total - Insurance operations	Shareholders' operations	Total
	SAR '000								
Assets									
Reinsurers' share of unearned premiums	496	164	163,545	79,842	309	119,134	363,490	-	363,490
Reinsurers' share of outstanding claims	-	-	58,760	56,200	14,933	32,998	162,891	-	162,891
Reinsurers' share claims incurred but not Reported	1,532	-	14,292	25,573	3,539	12,764	57,700	-	57,700
Reinsurers' share of mathematical reserves	-	-	-	-	138,959	-	138,959	-	138,959
Deferred policy acquisition costs	3,690	12,049	1,805	3,425	19	4,367	25,355	-	25,355
Unallocated assets	-	-	-	-	-	-	1,176,195	955,512	2,131,707
Total assets	5,718	12,213	238,402	165,040	157,759	169,263	1,924,590	955,512	2,880,102
Liabilities and shareholders' equity									
Unearned premiums	70,264	336,922	165,917	82,374	1,243	133,244	789,964	-	789,964
Unearned reinsurance commission	54	22	5,795	7,264	136	7,201	20,472	-	20,472
Outstanding claims	17,811	41,840	59,443	56,592	16,858	40,954	233,498	-	233,498
Claims incurred but not reported	17,438	88,303	15,044	26,919	5,009	18,264	170,977	-	170,977
Gross mathematical reserves	-	-	-	-	138,959	-	138,959	-	138,959
Additional premium reserves	5,726	20,284	-	-	-	-	26,010	-	26,010
Other technical reserves	283	5,252	319	386	367	2,035	8,642	-	8,642
Unallocated liabilities and shareholders' equity	-	-	-	-		-	536,068	955,512	1,491,580
Total liabilities and shareholders' equity	111,576	492,623	246,518	173,535	162,572	201,698	1,924,590	955,512	2,880,102

18. OPERATING SEGMENTS (CONTINUED)

	For the year ended December 31, 2021							
	Medical	Motor	Property	Energy	Engineering	Protection &Savings	Others	Total
						SAR'000		
REVENUES								
Gross premiums written								
- Direct	362,397	610,554	298,630	508,695	88,397	58,229	306,584	2,233,486
- Reinsurance	-	-	7,381	-	997	96,665	305	105,348
	362,397	610,554	306,011	508,695	89,394	154,894	306,889	2,338,834
Reinsurance premiums ceded								
- Local ceded	-	-	(9,338)	(5)	(7,176)	-	-	(16,519)
- Foreign ceded	(7,309)	(189)	(285,292)	(507,404)	(75,322)	(33,387)	(257,707)	(1,166,610)
	(7,309)	(189)	(294,630)	(507,409)	(82,498)	(33,387)	(257,707)	(1,183,129)
Excess of loss expenses	-	(1,932)	(1,174)	-	(1,174)	-	(864)	(5,144)
Net premiums written	355,088	608,433	10,207	1,286	5,722	121,507	48,318	1,150,561
Changes in unearned premiums, net	(123,590)	32,485	(3,181)	(586)	(1,132)	(1,970)	(11,057)	(109,031)
Net premiums earned	231,498	640,918	7,026	700	4,590	119,537	37,261	1,041,530
Reinsurance commissions	901	37	22,156	17,584	17,435	1,238	16,811	76,162
Other underwriting income	116	890	11	-	8	-	2,609	3,634
TOTAL REVENUES	232,515	641,845	29,193	18,284	22,033	120,775	56,681	1,121,326
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	191,574	608,777	51,320	-	32,377	100,745	20,285	1,005,078
Surrenders and maturities	-	-	-	-	-	17,447	-	17,447
Expenses incurred related to claims	1,872	18,303	-	-	-	-	-	20,175
Reinsurers' share of claims paid	(5,001)	(290)	(49,198)	-	(32,063)	(49,465)	(11,888)	(147,905)
Net claims and other benefits paid	188,445	626,790	2,122	-	314	68,727	8,397	894,795
Changes in outstanding claims, net	27,033	4,660	1,126	-	828	30,379	7,064	71,090
Changes in IBNR, net	13,769	(19,955)	105	122	(195)	10,667	(1,243)	3,270
Net claims and other benefits incurred	229,247	611,495	3,353	122	947	109,773	14,218	969,155
Additional premium reserves	(5,640)	(11,444)	-	-	-	128	-	(16,956)
Other technical reserves	331	216	(173)	12	(221)	79	(1,185)	(941)
Policy acquisition costs	13,531	25,312	5,393	19	5,969	261	9,634	60,119
Other underwriting expenses	17,608	62,603	2,978	17,816	620	485	3,852	105,962
TOTAL UNDERWRITING COSTS AND EXPENSES	255,077	688,182	11,551	17,969	7,315	110,726	26,519	1,117,339
NET UNDERWRITING INCOME/ (LOSS)	(22,562)	(46,337)	17,642	315	14,718	10,049	30,162	3,987
OTHER OPERATING (EXPENSES)/ INCOME								
Allowance for doubtful debts								(17,198)
General and administrative expenses								(150,898)
Commission income on deposits								23,812
Dividend income on investments								9,601
Impairment on available for sale investments								(6,765)
Realized gain on available for sale investments								15,074
Realized gain on held for trading investments								8,018
Unrealized gain on held for trading investments								1,572
TOTAL OTHER OPERATING EXPENSES								(116,784)
Total loss for the year before zakat and income tax & surplus attribution								(112,797)
Zakat for the period								(9,257)
NET LOSS FOR THE YEAR								(122,054)
Total income for the period attributable to insurance operations								-
NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS								(122,054)

18. OPERATING SEGMENTS (CONTINUED)

	For the year ended December 31, 2020						
	Medical	Motor	Property	Engineering	Protection and Savings	Others	Total
	SAR '000						
REVENUES							
Gross premiums written							
- Direct	120,413	699,412	294,894	120,408	11,382	217,546	1,464,055
- Reinsurance	-	-	6,910	1,738	-	-	8,648
	120,413	699,412	301,804	122,146	11,382	217,546	1,472,703
Reinsurance premiums ceded							
- Local ceded	-	-	(8,090)	(3,776)	-	-	(11,866)
- Foreign ceded	(4,042)	(717)	(289,376)	(111,935)	(7,557)	(183,527)	(597,154)
	(4,042)	(717)	(297,466)	(115,711)	(7,557)	(183,527)	(609,020)
Excess of loss expenses	(7,991)	(2,829)	(928)	(928)	-	(1,071)	(13,747)
Net premiums written	108,380	695,866	3,410	5,507	3,825	32,948	849,936
Changes in unearned premiums, net	(6,783)	(40,922)	(897)	(1,300)	(699)	(2,723)	(53,324)
Net premiums earned	101,597	654,944	2,513	4,207	3,126	30,225	796,612
Reinsurance commissions	1,219	56	14,853	10,676	1,143	13,100	41,047
Other underwriting income	4,506	2,258	10	7	-	4,437	11,218
TOTAL REVENUES	107,322	657,258	17,376	14,890	4,269	47,762	848,877
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	98,445	445,172	2,620	16,106	5,595	24,499	592,437
Surrenders and maturities	-	-	-	-	16,507	-	16,507
Expenses incurred related to claims	4,546	29,056	-	-	-	-	33,602
Reinsurers' share of claims paid	(11,050)	(636)	(1,994)	(14,743)	(21,608)	(16,149)	(66,180)
Net claims and other benefits paid	91,941	473,592	626	1,363	494	8,350	576,366
Changes in outstanding claims, net	1,602	25,839	(765)	(418)	(409)	(1,002)	24,847
Changes in IBNR, net	1,287	(44,099)	95	(173)	1,276	(2,181)	(43,795)
Net claims and other benefits incurred	94,830	455,332	(44)	772	1,361	5,167	557,418
Additional premium reserves	986	20,284	-	(18)	-	(212)	21,040
Other technical reserves	(1,031)	(22,124)	(271)	(399)	186	1,172	(22,467)
Policy acquisition costs	6,731	25,183	4,452	4,240	29	7,594	48,229
Other underwriting expenses	2,321	30,713	(520)	-	-	(149)	32,365
TOTAL UNDERWRITING COSTS AND EXPENSES	103,837	509,388	3,617	4,595	1,576	13,572	636,585
NET UNDERWRITING INCOME / EXPENSE	3,485	147,870	13,759	10,295	2,693	34,190	212,292
OTHER OPERATING (EXPENSES)/ INCOME							
Allowance for doubtful debts							(8,155)
General and administrative expenses							(141,849)
Commission income on investments							14,944
Dividend income							2,519
Realized gain on available for sale investments							500
TOTAL OTHER OPERATING EXPENSES							(132,041)
Total income for the period before zakat and income tax & surplus attribution							80,251
Zakat							(20,380)
Income tax							(1,122)
Total income for the year							58,749
Net income for the year attributable to insurance operations							(7,626)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS							51,123

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances:

	Transactions for the year ended		**Net balance receivable / (payable) as at**	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December3 1, 2020
	SAR '000		**SAR '000**	
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written /receivables from				
- BOD and related parties	**53,645**	46,756	**3,567**	28,105
- Key management personnel	**21**	19	**-**	-
Reinsurance business with Directors and their Related Parties	**-**	90	**(40)**	(104)
Claims paid and payable to BOD and their related parties	**57,661**	5,821	**(2,693)**	(972)

Remuneration and compensation of BOD Members and Top Executives
The following table shows the annual salaries, remuneration and allowances obtained by the Board members and 5 top executives for the year ended December 31, 2021 and 2020:

2021	**BOD members (Non-Executive)**	**Top Executives including the CEO and CFO**
	SAR '000	
Salaries and allowances	**-**	**5,738**
Annual remuneration	**3,843**	**-**
End of service provision for the year	**-**	**951**
Other Service benefits paid to BOD members	**320**	**-**
Total	**4,163**	**6,689**

2020	BOD Members (Non-Executive)	Top Executives including the CEO and CFO
	SAR '000	
Salaries and allowances	-	5,281
Annual remuneration	4,765	-
End of service provision for the year	-	396
Total	4,765	5,677

20. ZAKAT AND INCOME TAX

Zakat

The current year's zakat provision is based on the following:

	2021	2020
	SAR '000	
Share capital	**646,397**	528,000
Reserves, opening provisions and other adjustments	**319,680**	200,834
Book value of long term assets	**(455,823)**	(400,011)
	510,254	328,823
Adjusted income / (loss) for the year	**(99,124)**	92,470
Zakat base	**411,130**	421,293
Saudi shareholder's share of Zakat base @ 87.35% (2020: 93.87%)	**359,122**	395,468
Zakat due at 2.5776%	**9,257**	10,194

The differences between the financial and zakatable results are mainly due to provisions, which are not allowed in the calculation of adjusted income. The movement in the zakat provision for the year was as follows:

	2021	2020
	SAR '000	
Balance, January 1	**27,220**	14,907
Addition due to merger	**-**	3,848
Provided during the year	**9,257**	10,194
Provision adjustment for prior years	**-**	10,186
Total provision charged to income statement	**9,257**	20,380
Payments during the year	**(5,597)**	(11,915)
Balance, December 31	**30,880**	27,220

Income tax:

	2021	2020
	SAR '000	
Net (loss)/ income for the year before zakat and income tax	**(112,797)**	72,625
Provisions charged during the year for end of service benefits	**4,208**	3,849
Provision (reversed)/charged during the year for doubtful debts	**17,198**	8,155
Others	**(7,733)**	7,841
	(99,124)	92,470
Foreign shareholders' share of tax base @ 12.65% (2020: 6.13%)	**(12,539)**	5,668
Payments of end of service benefits	**(2,557)**	(955)
Others	**-**	-
	(2,557)	(955)
Foreign shareholders' share of tax payments	**(187)**	(59)
Tax base (Nil being loss during the year)	**-**	5,609
Tax at 20%	**-**	1,122

20. ZAKAT AND INCOME TAX (CONTINUED)

Income tax charge for the current year is calculated at 20% of the adjusted taxable income on the portion of equity owned by the foreign shareholders. The movement in the tax provision for the year was as follows:

	2021	2020
	SAR '000	
Balance, January 1	**1,644**	671
Provided during the year	**-**	1,122
Payments during the year	**(1,316)**	(149)
Balance, December 31	**328**	1,644

The Company has filed Zakat and income tax returns with Zakat, Tax, and Customs Authority known previously as the General Authority of Zakat and Tax ("GAZT") up to the year ended December 31, 2020 and obtained the required certificate from Zakat, Tax, and Customs Authority that is valid up to April 30, 2022.

Status of assessments

In 2019, the Company has received an assessment order for the year 2016 for an additional zakat and tax liability amounting to SR 20 million. The Company successfully appealed against most of the items in this assessment and paid an amount of SR 1.9 million as a full and final settlement.

During 2020, the Company received an assessment order for the year 2014 for an additional zakat and tax liability amounting to SR 5.9 million. Further, during 2020, the company has received assessment orders for the years 2015, 2017 and 2018 for an additional zakat and tax liability amounting to SR 9.3 million. The company has appealed against these assessments, which are under review and consideration by the General Secretariat of Tax Committees ("GSTC").

The management of the Company reviewed assessment letters and responded in the specified time period and is confident that the additional liability would be adjusted significantly in favour of the Company. The management also believes that the provision as reflected in these financial statements is sufficient to meet any additional zakat and tax obligation.

21.SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 646.4 million at December 31, 2021 consisting of 64.6 million shares of SAR 10 each (December 31, 2020: SAR 646.4 million consisting of 64.6 million shares of SAR 10 each).

In the year 2015, the Company had increased its share capital from SAR 200 million to SAR 400 million, by issuing 20 million right shares to its existing shareholders, which were offered at an exercise price of SAR 12 per share. This resulted in a share premium less issuance cost amounting to SAR 30.1 million.

The Company's Board of Directors in their meeting held on April 8, 2019 corresponding to 3 Sha'aban 1440H recommended to the Extraordinary General Assembly to increase share capital of the Company. The Extraordinary General Assembly approved to increase share capital of the Company from SAR 440 million to SAR 528 million by issuing one bonus share for every five existing shares owned by the shareholder. The increase in share capital is through capitalization of retained earnings of SAR 88 million. The increase in share capital was approved by the shareholders in their meeting held on 16 Ramadan 1440H (Corresponding to May 21, 2019).

The Board of Directors in their meeting held on 30 Muharram 1441 H (corresponding to 29 September 2019) resolved to increase the share capital from SAR 528,000,000 to SAR 646,397,060 by issuing 11,839,706 ordinary shares to merge MetLife AIG ANB Cooperative Insurance Company "MAA" into the Company and transferring all of MAA's assets and liabilities to the Company through a securities exchange offer. The merger was successfully completed and shared issued accordingly during the year. The fair value of 11,839,706 shares of the Company was determined on the basis of closing market price of Walaa's ordinary shares of SAR 16.18 per share on the Tadawul on the last trading date prior to the acquisition date of February 29, 2020. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium amounting to SAR 118,397 thousand and SAR 73,169 thousand, respectively

The Board of Directors in their meeting held on 27 Jumada I 1442 H (corresponding to 11 January 2021) recommended to increase share capital by offering right issue with an additional amount of SAR 775million to support growth plan of the company and maintain its solvency margin. Later, the Company announced on Tadawul on 15 July 2021 corresponding to 05/12/1442H to delay the rights issue due to signing of a memorandum of understanding ("MOU") with SABB Takaful Company ("SABB Takaful") to assess the feasibility of merging the two companies.

Shareholding structure of the Company is as below:

	December 31, 2021		
	Authorized and issued		**Paid up**
	No. of Shares	**SAR "000"**	
American Life Insurance	**3,551,911**	**35,519**	**35,519**
Arab National Bank	**3,545,146**	**35,451**	**35,451**
International General Insurance Company	**2,020,569**	**20,206**	**20,206**
Others	**55,522,080**	**555,221**	**555,221**
Total	**64,639,706**	**646,397**	**646,397**

	December 31, 2020		
	Authorized and issued		Paid up
	No. of Shares	SAR "000"	
American Life Insurance	3,551,911	35,519	35,519
Arab National Bank	3,545,146	35,451	35,451
International General Insurance Company	2,020,569	20,206	20,206
Others	55,522,080	555,221	555,221
Total	64,639,706	646,397	646,397

22. DIVIDEND AND BONUS SHARES

No dividend and bonus shares recommended during the year ended December 31, 2021.

23. EARNINGS PER SHARE ("EPS")

Basic and diluted (loss)/ earnings per share from shareholders' income is calculated by dividing net (loss)/ income for the year by weighted average number of ordinary shares outstanding during the year.

24. 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 SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company's net admissible assets as at December 31, 2021 are 121% (2020: 285%) of the required minimum margin for solvency. 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 646.4 million, statutory reserves of SAR 63.3 million and accumulated losses of SAR 40.8 million (December 31, 2020: paid-up share capital of SAR 646.4 million, statutory reserves of SAR 63.3 million and retained earnings of SAR 81.3 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.

25. GROSS PREMIUMS WRITTEN

	For the year ended December 31, 2021					
	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
Class	**SR'000**					
Medical	**33,839**	**30,645**	**48,128**	**222,193**	**27,592**	**362,397**
Motor	**16,114**	**7,352**	**10,509**	**62,798**	**513,781**	**610,554**
Property	**8,880**	**110,554**	**27,179**	**159,398**	**-**	**306,011**
Energy	**1,687**	**-**	**20,981**	**486,027**	**-**	**508,695**
Engineering	**5,018**	**6,110**	**19,567**	**58,699**	**-**	**89,394**
Protection & Savings	**23,448**	**307**	**5,434**	**125,705**	**-**	**154,894**
Others	**20,027**	**29,114**	**40,960**	**211,557**	**5,231**	**306,889**
Total	**109,013**	**184,082**	**172,758**	**1,326,377**	**546,604**	**2,338,834**

	For the year ended December 31, 2020					
	Corporate					Total Gross premiums written
	Micro	Small	Medium	Large	Individual	
Class	SR'000					
Medical	24,066	15,435	26,351	41,260	13,301	120,413
Motor	3,023	6,198	11,817	154,283	524,091	699,412
Property	2,673	11,826	8,746	278,559	-	301,804
Engineering	2,041	1,474	15,351	103,280	-	122,146
Protection & Savings	(8)	89	311	6,816	4,174	11,382
Others	8,893	13,491	21,066	170,384	3,712	217,546
Total	40,688	48,513	83,642	754,582	545,278	1,472,703

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SAR '000	
Salaries, benefits and remunerations	**88,014**	90,139
Advertising, marketing and branch development expenses	**654**	3,472
Rent	**4,524**	3,920
Insurance, utilities and maintenance	**2,543**	1,777
Depreciation and amortization	**10,580**	9,549
Communications	**15,898**	11,304
Office supplies and printing	**490**	1,549
Training and education	**1,283**	453
Professional	**10,786**	12,914
Others	**16,126**	6,772
Total	**150,898**	141,849

27. INVESTMENT INCOME

	2021	2020
	SAR '000	
Available for sale financial assets		
Dividend income	**9,601**	2,519
Realized gain on investments	**15,074**	500
Impairment on unquoted investments	**(6,765)**	-
Held for trading financial assets		
Realized gain on investments	**8,018**	-
Unrealized gain on investments	**1,572**	-
Dividend income		-
Cash, short term deposits and Sukuks		
Commission income	**23,812**	14,944
Total	**51,312**	17,963

28. RISK MANAGEMENT

(a) Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 8% of total reinsurance assets at the reporting date.

Frequency and severity of claims

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

28. RISK MANAGEMENT (CONTINUED)

a) Insurance risk (continued)

Concentration of insurance risk

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

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

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

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

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

28. RISK MANAGEMENT (CONTINUED)

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 2(d)(i).

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

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

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

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows;

28. RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

	Income from insurance operations	
	2021	2020
	SAR '000	
Impact of change in claim ratio by + 10%		
Medical	**(7,452)**	(3,372)
Motor	**(11,485)**	(13,014)
Property	**(267)**	(144)
Energy	**(12)**	-
Engineering	**(237)**	(174)
Protection and Savings	**(4,444)**	(218)
Other	**(1,928)**	(1,467)
Total	**(25,825)**	(18,389)
Impact of change in average claim cost + 10%		
Medical	**(187)**	(455)
Motor	**(1,830)**	(2,906)
Total	**2,017**	(3,361)

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income.

(a) Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2021 and 2020, there is no significant concentration of reinsurance balances.

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

28. RISK MANAGEMENT (CONTINUED)

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company’s market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders’ liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. The Company maintains, diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company’s exposure to foreign currency risk is limited to United States Dollars which is pegged against the Saudi Arabian Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The currency exposures of available-for-sale, held for trading and held to maturity investments are set out below:

Shareholders Operations	**2021**	2020
	SAR '000	
Saudi Arabian Riyals and GCC currencies	**289,589**	515,790
Total	**289,589**	515,790

Insurance Operations	**2021**	2020
	SAR '000	
Saudi Arabian Riyals and GCC currencies	-	-
Total	-	-

28. RISK MANAGEMENT (CONTINUED)

Commission Rate Risk
The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 50 basis points in interest yields would result in an increase or decrease in the profit for the year of SAR 3.038 million (2020: SAR 1.528 million).

(b) Market Risk (continued)

Commission Rate Risk (continued)
The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2021 and 2020 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
	SAR '000			
Insurance Operations				
2021	**251,659**	**50,000**	**62,948**	**364,607**
2020	50,000	-	-	50,000
Shareholders Operations				
2021	**-**	**312,315**	**397,973**	**710,288**
2020	217,274	224,400	291,390	733,064

Other Price Risk
Other price risk is the risk that the fair value or future cash flows of financial instruments 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's investments amounting to SAR 323.765 million (2020: SAR 245.849 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of investments on shareholders' comprehensive income would be as follows:

	Fair value change	**Effect on Company's other comprehensive income**
December 31, 2021	**+ / -10%**	**+/- 32,377**
December 31, 2020	+ / -10%	+/- 24,585

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2021 and 2020. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

28. RISK MANAGEMENT (CONTINUED)

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

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

	2021	2020
	SAR '000	
Insurance operations' assets		
Cash and cash equivalents	**322,883**	687,297
Short term deposits	**201,659**	50,000
Long term deposits	**100,000**	-
Investments	**62,948**	-
Premiums and insurance balances receivable, net	**582,129**	333,020
Reinsurers' share of outstanding claims	**338,919**	220,591
Reinsurers' share of mathematical reserves	**123,696**	138,959
Accrued commission income	**2,000**	-
Other assets	**66,146**	65,350
	1,950,035	1,495,217
Shareholders' assets		
Cash and cash equivalents	**2,172**	-
Short term deposits	-	167,274
Long term deposits	-	50,000
Accrued commission income	**16,183**	13,996
Available-for-sale investments	**710,288**	515,790
Statutory deposit	**64,640**	64,640
Other assets	**213**	-
	793,496	811,700
Total	**2,743,531**	2,306,917

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Insurance Operations assets	**2021**	2020	**2021**	2020	**2021**	2020
	Investment grade		**Non-investment grade** SAR '000		**Unrated**	
Cash and cash equivalents	**322,883**	687,297	**-**	**-**	**-**	-
Short term deposits	**201,659**	50,000	**-**	**-**	**-**	-
Long term deposits	**100,000**	-	**-**	**-**	**-**	-
Investments	**62,948**	-	**-**	**-**	**-**	-
Premium and reinsurance balances receivable						
- Policyholders'	**-**	-	**-**	**-**	**543,916**	300,876
- Due from related parties	**-**	-	**-**	**-**	**5,823**	28,053
- Reinsurance receivables	**-**	-	**-**	**-**	**32,390**	4,091
Reinsurers share of outstanding claims and IBNR	**-**	-	**-**	**-**	**488,574**	220,591
Reinsurers' share of mathematical reserves					**123,696**	138,959
Accrued commission income	**2,000**	-	**-**	**-**	**-**	-
Other assets	**8,375**	10,863	**-**	**-**	**57,771**	54,487
Total	**697,865**	748,160	-	-	**1,252,170**	747,057

28. RISK MANAGEMENT (CONTINUED)

(c) Credit Risk (continued)

Concentration of credit risk (continued)

Shareholders' assets	2021	2020	2021	2020	2021	2020
	Investment grade		Non-investment grade		Unrated	
			SAR '000			
Cash and cash equivalents	**2,172**	-	-	-	-	-
Short term deposits	-	167,274	-	-	-	-
Long term deposits	-	50,000	-	-	-	-
Accrued commission income	**16,183**	13,996	-	-	-	-
Available-for-sale investments	**573,132**	470,249	-	-	**137,156**	45,541
Statutory deposit	**64,640**	64,640	-	-	-	-
Other assets	-	-	-	-	**213**	-
Total	**656,127**	766,159	-	-	**137,369**	45,541

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

- The Company has a liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial assets and liabilities:

ASSETS - INSURANCE OPERATIONS	2021 Less than one year	2021 More than one year	2021 Total	2020 Less than one year	2020 More than one year	2020 Total
	SAR '000			SAR '000		
Cash and cash equivalents	**322,883**	-	**322,883**	687,297	-	687,297
Short term deposits	**201,659**	-	**201,659**	50,000	-	50,000
Long term deposits	**50,000**	**50,000**	**100,000**	-	-	-
Investments	-	**62,948**	**62,948**	-	-	-
Premiums and insurance balances receivable, net	**582,129**	-	**582,129**	333,020	-	333,020
Reinsurers' share of outstanding Claims, IBNR and Mathematical reserves	**612,270**	-	**612,270**	359,550	-	359,550
Accrued commission income	**2,000**	-	**2,000**	-	-	-
Other assets	**66,146**	-	**66,146**	65,350	-	65,350
Total	**1,837,087**	**112,948**	**1,950,035**	1,495,217	-	1,495,217

28. RISK MANAGEMENT (CONTINUED)

d) Liquidity Risk (continued)

LIABILITIES - INSURANCE OPERATIONS	2021 Less than one year	2021 More than one year	2021 Total	2020 Less than one year	2020 More than one year	2020 Total
	SAR '000			SAR '000		
Outstanding claims, IBNR and mathematical reserves	**870,514**	**-**	**870,514**	543,434	-	543,434
Policyholders claims payables	**47,658**	**-**	**47,658**	34,794	-	34,794
Accrued expenses and other liabilities	**188,568**	**-**	**188,568**	144,082	-	144,082
Reinsurance balances payables	**335,026**	**-**	**335,026**	232,814	-	232,814
End-of-service indemnities	**-**	**21,982**	**21,982**	-	21,724	21,724
Surplus distribution payable	**2,148**	**-**	**2,148**	9,774	-	9,774
Total	**1,443,914**	**21,982**	**1,465,896**	964,898	21,724	986,622

Maturity profile

ASSETS - SHAREHOLDERS' OPERATIONS (2021)	Carrying amount	Up to 1 year	1-5 years	5 years and above	Total
			SAR '000		
Cash and cash equivalents	**2,172**	**2,172**	**-**	**-**	**2,172**
Accrued income	**16,183**	**16,183**	**-**	**-**	**16,183**
Investments	**710,288**	**454,909**	**149,999**	**105,380**	**710,288**
Statutory deposit	**64,640**	**-**	**-**	**64,640**	**64,640**
Other assets	**213**	**213**			**213**
Total	**793,496**	**473,477**	**149,999**	**170,020**	**793,496**
LIABILITIES - SHAREHOLDERS' OPERATIONS					
Accrued and other liabilities	**2,134**	**2,134**	**-**	**-**	**2,134**
Accrued commission income payable to SAMA	**10,764**	**10,764**	**-**	**-**	**10,764**
Total	**12,898**	**12,898**	**-**	**-**	**12,898**
	780,598	**460,579**	**149,999**	**170,020**	**780,598**

ASSETS - SHAREHOLDERS' OPERATIONS (2019)	Carrying amount	Up to 1 year	1-5 years	5 years and above	Total
			SAR '000		
Cash and cash equivalents	-	-	-	-	-
Short term deposits	167,274	167,274	-	-	167,274
Long term deposits	50,000	-	50,000	-	50,000
Accrued income	13,996	13,996	-	-	13,996
Investments	515,790	265,092	-	250,698	515,790
Statutory deposit	64,640	-	-	64,640	64,640
Total	811,700	446,362	50,000	315,338	811,700
LIABILITIES - SHAREHOLDERS' OPERATIONS					
Accrued and other liabilities	240	240	-	-	240
Accrued commission income payable to SAMA	10,114	10,114	-	-	10,114
	10,354	10,354	-	-	10,354
Total	801,346	436,008	50,000	315,338	801,346

28. RISK MANAGEMENT (CONTINUED)

d) Liquidity Risk (continued)

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Accrued investment income is expected to be realized within 1 to 3 months from statement of financial position's date.
- Deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with maturity of less than 3 months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims majorly pertain to property and casualty segment and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable for treaty arrangements are settled on a quarterly basis as per the terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to settle in accordance with statutory timelines for payment subject to completion of the required information. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjustor's final report.
- The policyholders claims payable, accrued expenses and other liabilities are expected to settle within a period of 3 months from the period end date.
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved.

e) Operational Risk

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

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

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

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

29. SUPPLEMENTARY INFORMATION

	December 31, 2021			December 31, 2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
ASSETS						
Cash and cash equivalents	**322,883**	**2,172**	**325,055**	687,297	-	687,297
Short term deposits	**201,659**	**-**	**201,659**	50,000	167,274	217,274
Long term deposits	**100,000**	**-**	**100,000**	-	50,000	50,000
Premiums and reinsurers' receivable – net	**582,129**	**-**	**582,129**	333,020	-	333,020
Reinsurers' share of unearned Premiums	**538,598**	**-**	**538,598**	363,490	-	363,490
Reinsurers' share of outstanding claims	**338,919**	**-**	**338,919**	162,891	-	162,891
Reinsurers' share of claims incurred but not reported	**149,655**	**-**	**149,655**	57,700	-	57,700
Reinsurers' share of mathematical reserves	**123,696**	**-**	**123,696**	138,959	-	138,959
Deferred policy acquisition Costs	**36,476**	**-**	**36,476**	25,355	-	25,355
Investments	**62,948**	**710,288**	**773,236**	-	515,790	515,790
Due from insurance operations	**-**	**4,437**	**4,437**	-	86,072	86,072
Prepaid expenses and other assets	**97,188**	**213**	**97,401**	90,051	192	90,243
Property and equipment	**30,969**	**-**	**30,969**	14,240	-	14,240
Intangible assets	**5,182**	**32,531**	**37,713**	1,587	33,133	34,720
Goodwill	**-**	**24,415**	**24,415**	-	24,415	24,415
Statutory deposit	**-**	**64,640**	**64,640**	-	64,640	64,640
Accrued income on statutory deposit	**-**	**10,764**	**10,764**	-	10,114	10,114
Accrued commission income	**2,000**	**5,419**	**7,419**	-	3,882	3,882
TOTAL ASSETS	**2,592,302**	**854,879**	**3,447,181**	1,924,590	955,512	2,880,102

29. SUPPLEMENTARY INFORMATION (CONTINUED)

	December 31, 2021			December 31, 2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
LIABILITIES						
Policyholders claims payables	**47,658**	**-**	**47,658**	34,794	-	34,794
Accrued and other liabilities	**188,568**	**2,134**	**190,702**	151,950	240	152,190
Reinsurers' balances payable	**335,026**	**-**	**335,026**	232,814	-	232,814
Unearned premiums	**1,074,103**	**-**	**1,074,103**	789,964	-	789,964
Unearned reinsurance commission	**31,258**	**-**	**31,258**	20,472	-	20,472
Outstanding claims	**480,616**	**-**	**480,616**	233,498	-	233,498
Claims incurred but not reported	**266,202**	**-**	**266,202**	170,977	-	170,977
Gross mathematical reserves	**123,696**	**-**	**123,696**	138,959	-	138,959
Additional premium reserves	**9,054**	**-**	**9,054**	26,010	-	26,010
Other technical reserves	**7,701**	**-**	**7,701**	8,642	-	8,642
End-of-service indemnities	**21,982**	**-**	**21,982**	21,724	-	21,724
Zakat and income tax	**-**	**31,208**	**31,208**	-	28,864	28,864
Accrued commission income payable to SAMA	**-**	**10,764**	**10,764**	-	10,114	10,114
Due to shareholders' operations	**4,437**	**-**	**4,437**	86,072	-	86,072
Insurance operations' surplus	**2,148**	**-**	**2,148**	9,774	-	9,774
TOTAL LIABILITIES	**2,592,449**	**44,106**	**2,636,555**	1,925,650	39,218	1,964,868
EQUITY						
Share capital	-	**646,397**	**646,397**	-	646,397	646,397
Share premium	-	**103,277**	**103,277**	-	103,277	103,277
Statutory reserve	-	**63,327**	**63,327**	-	63,327	63,327
(Accumulated losses)/ Retained earnings	-	**(40,750)**	**(40,750)**	-	81,304	81,304
Fair value reserve on investments	-	**38,522**	**38,522**	-	21,989	21,989
TOTAL SHAREHOLDERS' EQUITY	**-**	**810,773**	**810,773**	-	916,294	916,294
Re-measurement reserve for end-of-service indemnities – related to insurance operations	**(147)**	**-**	**(147)**	(1,060)	-	(1,060)
TOTAL EQUITY	**(147)**	**810,773**	**810,626**	(1,060)	916,294	915,234
TOTAL LIABILITIES AND EQUITY	**2,592,302**	**854,879**	**3,447,181**	1,924,590	955,512	2,880,102

29. SUPPLEMENTARY INFORMATION (CONTINUED)

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
REVENUES						
Gross premiums written						
- Direct	**2,233,486**	**-**	**2,233,486**	1,464,055	-	1,464,055
- Reinsurance	**105,348**	**-**	**105,348**	8,648	-	8,648
	2,338,834	**-**	**2,338,834**	1,472,703	-	1,472,703
Reinsurance premiums ceded						
- Local ceded	**(16,519)**	**-**	**(16,519)**	(11,866)	-	(11,866)
- Foreign ceded	**(1,166,610)**	**-**	**(1,166,610)**	(597,154)	-	(597,154)
	(1,183,129)	**-**	**(1,183,129)**	(609,020)	-	(609,020)
Excess of loss expenses	**(5,144)**	**-**	**(5,144)**	(13,747)	-	(13,747)
Net premiums written	**1,150,561**	**-**	**1,150,561**	849,936	-	849,936
Changes in unearned premium	**(284,139)**	**-**	**(284,139)**	(109,854)	-	(109,854)
Changes in reinsurers' share of unearned premiums	**175,108**	**-**	**175,108**	56,530	-	56,530
Net premiums earned	**1,041,530**	**-**	**1,041,530**	796,612	-	796,612
Reinsurance commissions	**76,162**	**-**	**76,162**	41,047	-	41,047
Other underwriting income	**3,634**	**-**	**3,634**	11,218	-	11,218
TOTAL REVENUES	**1,121,326**	**-**	**1,121,326**	848,877	-	848,877
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**1,005,078**	**-**	**1,005,078**	592,437	-	592,437
Surrenders and maturities	**17,447**	**-**	**17,447**	16,507	-	16,507
Expenses incurred related to claims	**20,175**	**-**	**20,175**	33,602	-	33,602
Reinsurers' share of claims paid	**(147,905)**	**-**	**(147,905)**	(66,180)	-	(66,180)
Net claims and other benefits paid	**894,795**	**-**	**894,795**	576,366	-	576,366
Changes in outstanding claims	**247,118**	**-**	**247,118**	72,653	-	72,653
Changes in reinsurers' share of outstanding claims	**(176,028)**	**-**	**(176,028)**	(47,806)	-	(47,806)
Changes in IBNR	**95,225**	**-**	**95,225**	(47,807)	-	(47,807)
Changes in reinsurers' share of IBNR	**(91,955)**	**-**	**(91,955)**	4,012	-	4,012
Net claims and other benefits incurred	**969,155**	**-**	**969,155**	557,418	-	557,418
Additional premium reserves	**(16,956)**	**-**	**(16,956)**	21,040	-	21,040
Other technical reserves	**(941)**	**-**	**(941)**	(22,467)	-	(22,467)
Policy acquisition costs	**60,119**	**-**	**60,119**	48,229	-	48,229
Other underwriting expenses	**105,962**	**-**	**105,962**	32,365	-	32,365
TOTAL UNDERWRITING COSTS AND EXPENSES	**1,117,339**	**-**	**1,117,339**	636,585	-	636,585
NET UNDERWRITING INCOME	**3,987**	**-**	**3,987**	212,292	-	212,292

29. SUPPLEMENTARY INFORMATION (CONTINUED)

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	**(17,198)**	**-**	**(17,198)**	(8,155)	-	(8,155)
General and administrative expenses	**(139,248)**	**(11,650)**	**(150,898)**	(130,686)	(11,163)	(141,849)
Commission income on investments	**10,408**	**13,404**	**23,812**	2,813	12,131	14,944
Dividend income on investments	**-**	**9,601**	**9,601**	2	2,517	2,519
Impairment on AFS investments	**-**	**(6,765)**	**(6,765)**	-	-	-
Realized gain on AFS investments	**-**	**15,074**	**15,074**	-	-	-
Realized gain on HFT investments	**-**	**8,018**	**8,018**	-	500	500
Unrealized gain on HFT investments	**-**	**1,572**	**1,572**	-	-	-
TOTAL OTHER OPERATING EXPENSES	**(146,038)**	**29,254**	**(116,784)**	(136,026)	3,985	(132,041)
Total (loss)/ income for the year before zakat & income tax and surplus contribution	**(142,051)**	**29,254**	**(112,797)**	76,266	3,985	80,251
Zakat	**-**	**(9,257)**	**(9,257)**	-	(20,380)	(20,380)
Income tax	**-**	**-**	**-**	-	(1,122)	(1,122)
NET (LOSS)/ INCOME FOR THE YEAR	**(142,051)**	**19,997**	**(122,054)**	76,266	(17,517)	58,749
Surplus transferred to Shareholders	**142,051**	**(142,051)**	**-**	(68,640)	68,640	-
NET RESULTS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	**-**	**(122,054)**	**(122,054)**	7,626	51,123	58,749
(Loss)/ Earnings per share (Expressed in SAR per share):						
Basic and diluted EPS		**(1.89)**			0.82	

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SAR '000			SAR '000		
Total (loss)/ income for the year	**-**	**(122,054)**	**(122,054)**	7,626	51,123	58,749
Other comprehensive income/ (loss)						
Items that will not be reclassified to consolidated statement of income in subsequent years						
-Actuarial gain for end-of-service indemnities	**913**	**-**	**913**	356	-	356
Items that are or may be reclassified to consolidated statement of income in subsequent years						
- Available for sale investments:						
- Net change in fair value	**-**	**31,607**	**31,607**	-	4,839	4,839
- Net amounts transferred to statement of income	**-**	**(15,074)**	**(15,074)**	-	(500)	(500)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**913**	**(105,521)**	**(104,608)**	7,982	55,462	63,444

29. SUPPLEMENTARY INFORMATION (CONTINUED)

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
		SAR '000			SAR '000	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the year before zakat and income tax	**-**	**(112,797)**	**(112,797)**	7,626	72,625	80,251
Adjustments for non-cash items:						
Depreciation of property and equipment	**8,676**	**-**	**8,676**	8,816	-	8,816
Amortization of intangible assets	**1,302**	**602**	**1,904**	733	-	733
Allowance for doubtful debts	**17,198**	**-**	**17,198**	8,155	-	8,155
Dividend and realized gain on investments, net	**-**	**(9,601)**	**(9,601)**	(2)	(2,517)	(2,519)
Amortization on HTM investments	**-**	**258**	**258**	-	226	226
Commission income on investments	**(10,408)**	**(13,404)**	**(23,812)**	(2,813)	(12,131)	(14,944)
Gain on disposal of AFS investments	**-**	**(15,074)**	**(15,074)**	-	(500)	(500)
Gain on disposal of HFT investments	**-**	**(8,018)**	**(8,018)**			
Impairment on investments	**-**	**6,765**	**6,765**	-	-	-
Unrealized gain on held for trading investments	**-**	**(1,572)**	**(1,572)**			
Provision for end-of-service indemnities	**3,728**	**-**	**3,728**	3,849	-	3,849
Finance cost	**76**	**-**	**76**	178	-	178
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(269,022)**	**-**	**(269,022)**	(164,020)	-	(164,020)
Reinsurers' share of unearned premiums	**(175,108)**	**-**	**(175,108)**	(56,530)	-	(56,530)
Reinsurers' share of outstanding claims	**(176,028)**	**-**	**(176,028)**	(47,806)	-	(47,806)
Reinsurers' share of claims incurred but not reported	**(91,955)**	**-**	**(91,955)**	4,012	-	4,012
Reinsurers' share of mathematical reserves	**15,263**		**15,263**	16,230		16,230
Deferred policy acquisition costs	**(11,121)**	**-**	**(11,121)**	(5,905)	-	(5,905)
Prepaid expenses and other assets	**(7,137)**	**(21)**	**(7,158)**	(30,692)	1,141	(29,551)
Policyholders claims payables	**12,864**	**-**	**12,864**	7,580	-	7,580
Accrued and other liabilities	**35,219**	**1,894**	**37,113**	50,376	869	51,245
Reinsurers' balances payable	**102,212**	**-**	**102,212**	24,356	-	24,356
Unearned premiums	**284,139**	**-**	**284,139**	109,854	-	109,854
Unearned reinsurance commission	**10,786**	**-**	**10,786**	1,021	-	1,021
Outstanding claims	**247,118**	**-**	**247,118**	72,653	-	72,653
Claims incurred but not reported	**95,225**	**-**	**95,225**	(47,807)	-	(47,807)
Gross mathematical reserves	**(15,263)**	**-**	**(15,263)**	(16,230)		(16,230)
Additional premium reserves	**(16,956)**	**-**	**(16,956)**	21,040	-	21,040
Other technical reserves	**(941)**	**-**	**(941)**	(22,467)	-	(22,467)
	59,867	**(150,968)**	**(91,101)**	(57,793)	59,713	1,920
End-of-service indemnities paid	**(2,557)**	**-**	**(2,557)**	(955)	-	(955)
Zakat and income tax paid	**-**	**(6,913)**	**(6,913)**	-	(12,064)	(12,064)
Net cash (used in)/ generated from operating activities	**57,310**	**(157,881)**	**(100,571)**	(58,748)	47,649	(11,099)

29. SUPPLEMENTARY INFORMATION (CONTINUED)

	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
		SAR '000			SAR '000	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of available for sale investments	**-**	**(178,048)**	**(178,048)**	-	(32,170)	(32,170)
Disposals of available for sale investment	**-**	**119,726**	**119,726**	-	3,700	3,700
Purchase/(sales) of held for trading Investments, net	**-**	**(76,778)**	**(76,778)**	-	-	-
Purchase of investments held at amortised cost	**(62,948)**	**(25,224)**	**(88,172)**	-	(75,284)	(75,284)
Additions in intangible assets	**(4,077)**	**-**	**(4,077)**	(967)	-	(967)
Commission income received on investments	**8,408**	**11,867**	**20,275**	3,027	13,094	16,121
Dividend received on investments	**-**	**9,601**	**9,601**	2	2,517	2,519
Disposals of short term deposits	**(151,659)**	**167,274**	**15,615**	83,051	43,800	126,851
(Additions)/ Disposals in long term deposits	**(100,000)**	**50,000**	**(50,000)**	-	39,000	39,000
Additions in property and equipment	**(26,479)**	**-**	**(26,479)**	(4,975)	-	(4,975)
Cash and cash equivalents acquired through business combination	-	-	-	34,413	9,176	43,589
Net cash generated from / (used in) investing activities	**(336,755)**	**78,418**	**(258,337)**	114,551	3,833	118,384
CASH FLOWS FROM FINANCING ACTIVITIES						
Due from/ to shareholders'/ insurance operations	**(81,635)**	**81,635**	**-**	74,642	(74,642)	-
Net change in statutory deposits	-	-	-	-	23,160	23,160
Lease liability paid	**(3,334)**	**-**	**(3,334)**	(4,073)	-	(4,073)
Net cash (used in)/ generated from financing activities	**(84,969)**	**81,635**	**(3,334)**	70,569	(51,482)	19,087
Net change in cash and cash equivalents	**(364,414)**	**2,172**	**(362,242)**	126,372	-	126,372
Cash and cash equivalents, beginning of the year	**687,297**	**-**	**687,297**	560,925	-	560,925
Cash and cash equivalents, end of the year	**322,883**	**2,172**	**325,055**	687,297	-	687,297
NON-CASH INFORMATION						
Unrealised changes in fair value of available for sale investments		**31,607**	**31,607**	-	4,839	4,839
Actuarial gain for end-of-service indemnities	**913**	**-**	**913**	356	-	356

30. COMPARATIVE FIGURES

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

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors on 10 Sha’ban 1443H, corresponding to March 13, 2022.