**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
(A SAUDI JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**INDEPENDENT AUDITORS' REPORT**
**To the Shareholders Of**
**ALLIED COOPERATIVE INSURANCE GROUP**
**(A Saudi Joint Stock Company)**

**Opinion**

We have audited the financial statements of **Allied Cooperative Insurance Group** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory notes.

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

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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. The key audit matters include:

**Independent Auditors' Report (Continued)**

**Key Audit Matters (Continued)**

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| Valuation of ultimate claim liabilities arising from insurance contracts<br><br>As at 31 December, 2022, gross outstanding claims and reserves including claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves amounted to SAR 169.6 million as reported in Note 8.1 to the financial statements.<br><br>The valuation of the ultimate liabilities arising from claims made under insurance contracts is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain.<br><br>The Company uses an external actuary (the "management expert") to provide them with the estimates of these claims. A range of method were used by the management expert to determine these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development patterns and regulatory requirements.<br>Due to significance of amount involved, the exercise of significant judgment by the management in the process for determination of ultimate claims liabilities, we have determined it to be a key audit matter.<br><br>Refer to note 2(e)(i) regarding the use of judgments and estimates, notes 3(i) and 3(iv) of accounting policies, and note 8 for the related disclosure. | Our audit procedures, among other procedures, include the following:<br><br>• Assessed the design and implementation and tested the operative effectiveness of key control over management processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded.<br><br>• Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence.<br><br>• Engaged our actuarial expert to assess the methodology and assumptions used by the management in determining the reserve for claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves. We also reviewed the actuarial reserve report issued by the Company's appointed actuary.<br><br>• Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.<br><br>• Assessed the adequacy of the related disclosures. |

**Independent Auditors' Report (Continued)**

**Other information**
Management is responsible for the other information. Other information comprises the information included in the Company's 2022 annual report, but does not include 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 do not and will not express any form of assurance or conclusion thereon.

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

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

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

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

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

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

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:

**Independent Auditors' Report (Continued)**

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;

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

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.

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

AlKharashi & Co.
Certified Accountants And Auditors

**Independent Auditors' Report (Continued)**

***Report on Other Legal and Regulatory Requirements***

As at year end, the solvency margin reached to 87% (31 December 2021: -117%). In compliance with the Article 68 of the Implementation Regulations for Insurance Companies, the Company has taken certain remedial measures on immediate basis that include increase the share capital, adjusting insurance premiums and reducing cost (refer note 2b)

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**Abdullah M. Al Azem**
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C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

March 26, 2023
Ramadan 04, 1444 H

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2022**

| | | SAR '000 | |
|---|---|---|---|
| | **Notes** | **31 December 2022** | 31 December 2021 |
| **ASSETS** | | | |
| Cash and cash equivalents | *4* | **484,418** | 52,973 |
| Term deposits | *5* | **-** | 182,367 |
| Premium and reinsurers' receivable, net | *6* | **115,717** | 98,415 |
| Reinsurers' share of unearned premiums | *8.2* | **38,335** | 34,703 |
| Reinsurers' share of outstanding claims | *8.1* | **17,334** | 12,955 |
| Reinsurers' share of claims incurred but not reported | *8.1* | **10,299** | 8,498 |
| Deferred policy acquisition cost | *8.3* | **60,463** | 44,053 |
| Due from a related party | *21* | **1,985** | 1,985 |
| Property and equipment, net | *12* | **4,596** | 5,411 |
| Intangible assets | *13* | **6,046** | 5,585 |
| Right of use assets, net | *9* | **3,309** | 3,229 |
| Available-for-sale investments | *7* | **49,319** | 50,721 |
| Prepayments and other receivables | | **66,925** | 60,489 |
| Accrued commission on statutory deposit | | **2,342** | 1,871 |
| Statutory deposit | *11* | **43,650** | 30,000 |
| **TOTAL ASSETS** | | **904,738** | 593,255 |

Chairman of the
Board of Directors

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION-(CONTINUED)**
**AS AT 31 DECEMBER 2022**

| | Notes | SAR '000 31 December 2022 | SAR '000 31 December 2021 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Policyholders claim payable | | **23,782** | 20,789 |
| Accrued and other payables | *15* | **34,372** | 18,955 |
| Reinsurance balances payable | | **23,916** | 24,749 |
| Unearned commission income | | **983** | 1,261 |
| Unearned premiums | *8.2* | **456,741** | 301,744 |
| Premium deficiency reserve | *8.1* | **7,454** | 35,727 |
| Other technical reserves | *8.1* | **2,734** | 1,798 |
| Outstanding claims | *8.1* | **34,884** | 34,605 |
| Claims incurred but not reported | *8.1* | **124,557** | 80,865 |
| Employees' terminal benefits | *17* | **13,072** | 12,968 |
| Lease liabilities | *10* | **2,122** | 2,983 |
| Surplus distribution payable | *16* | **5,987** | 5,991 |
| Zakat and income tax | *22* | **9,481** | 16,913 |
| Accrued commission on statutory deposit payable to SAMA | | **2,342** | 1,871 |
| **TOTAL LIABILITIES** | | **742,427** | 561,219 |
| **EQUITY** | | | |
| Share capital | *23* | **291,000** | 141,000 |
| Accumulated losses | | **(132,191)** | (116,015) |
| Fair values reserve on available-for-sale investments | | **5,934** | 8,588 |
| | | **164,743** | 33,573 |
| Re-measurement reserve of employees' terminal benefits | | **(2,432)** | (1,537) |
| **TOTAL EQUITY** | | **162,311** | 32,036 |
| **TOTAL LIABILITIES AND EQUITY** | | **904,738** | 593,255 |
| **COMMITMENTS AND CONTINGENCIES** | *14* | **4,809** | 3,045 |

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF INCOME**
**FOR THE YEAR ENDED 31 DECEMBER, 2022**

| | Notes | SAR'000 31 December, 2022 | SAR'000 31 December 2021 |
|---|---|---|---|
| **REVENUES** | | | |
| Gross premiums written | *8.2* | **830,694** | 592,588 |
| Reinsurance premiums ceded | | | |
| -Local | | **(1,288)** | (1,728) |
| -Foreign-Direct | | **(94,762)** | (71,636) |
| -Foreign-Through local reinsurance broker | | **(676)** | (828) |
| | | **(96,726)** | (74,192) |
| Excess of loss premuims | | | |
| -Local | | **(1,406)** | (1,736) |
| -Foreign-Direct | | **(2,108)** | (2,603) |
| | | **(3,514)** | (4,339) |
| Net written premiums | | **730,454** | 514,057 |
| Changes in unearned premiums, net | | **(151,365)** | (29,965) |
| **Net premiums earned** | | **579,089** | 484,092 |
| Reinsurance commission earned | | **3,928** | 4,698 |
| Other underwriting income | | **15,764** | 285 |
| **NET REVENUES** | | **598,781** | 489,075 |
| **UNDERWRITING COSTS AND EXPENSES** | | | |
| Gross claims paid | | **495,929** | 430,130 |
| Reinsurers' share of claims paid | | **(53,440)** | (37,488) |
| **NET CIAIMS PAID** | | **442,489** | 392,642 |
| Changes in outstanding claims, net | | **(4,100)** | 7,464 |
| Changes in incurred but not reported claims, net | | **41,891** | 11,744 |
| **Net claims and other benefits incurred** | | **480,280** | 411,850 |
| Change in other technical reserves | | **936** | (684) |
| Change in premium deficiency reserve | | **(28,273)** | 26,211 |
| Policy acquisition costs | *8.3* | **90,388** | 75,100 |
| Other underwriting expenses | | **3,879** | 422 |
| **TOTAL UNDERWRITING COSTS AND EXPENSES** | | **547,210** | 512,899 |
| **NET UNDERWRITING INCOME / (LOSS)** | | **51,571** | (23,824) |
| **OTHER OPERATING (EXPENSES)/ INCOME** | | | |
| Allowance for doubtful debts | *6.1* | **(557)** | (1,784) |
| General and administrative expenses | *25* | **(82,364)** | (82,469) |
| Commission income on deposits | | **8,610** | 1,941 |
| Investment income | | **2,013** | 2,004 |
| Other (expense)/income | | **(5)** | 124 |
| **TOTAL OTHER OPERATING EXPENSES** | | **(72,303)** | (80,184) |
| **NET LOSS FOR THE YEAR BEFORE ZAKAT AND INCOME TAX AND SURPLUS ATTRIBUTION** | | **(20,732)** | (104,008) |
| Zakat and income tax reversal /(expense) for the year | *22* | **7,432** | (10,576) |
| **TOTAL LOSS FOR THE YEAR** | | **(13,300)** | (114,584) |
| **NET LOSS FOR THE YEAR ATTRIBUTEAABLE TO SHAREHOLDERS** | | **(13,300)** | (114,584) |
| **Weighted average number of ordinary shares outstanding (in thousands)-Restated 2021** | | **28,535** | **18,887** |
| Basic and diluted loss per share for the year (SAR) | *24* | **(0.47)** | **(6.07)** |

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER, 2022**

| | Notes | SAR'000 | |
|---|---|---|---|
| | | **31 December, 2022** | 31 December 2021 |
| **TOTAL LOSS FOR THE YEAR** | | **(13,300)** | (114,584) |
| ***ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEAR*** | | | |
| - Actuarial losses on employees' terminal benefits | *17* | **(895)** | (473) |
| ***ITEMS THAT MAY BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEAR*** | | | |
| *Available-for-sale investments:* | | | |
| - Net change in fair values | *7* | **(2,654)** | 1,462 |
| **TOTAL COMPREHENSIVE LOSSR THE YEAR** | | **(16,849)** | (113,595) |
| **TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE INSURANCE** | | **(895)** | (473) |
| **TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE SHAREHOLDERS OPERATIONS** | | **(15,954)** | (113,122) |

| Chairman of the Board of Directors | Chief Executive Officer | Chief Financial Officer |
|---|---|---|

The accompanying notes 1 to 30 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER, 2022**

| | SAR'000 | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Accumulated losses** | **Fair value reserve on available-for-sale investments** | **Re-measurement reserve of employees' terminal benefits** | **Total** |
| **2022** | | | | | |
| **Balance as at 01 January, 2022** | **141,000** | **(116,015)** | **8,588** | **(1,537)** | **32,036** |
| Increase in share capital through right issue | **150,000** | **-** | **-** | **-** | **150,000** |
| Change in fair value reserve on available-for-sale investments (Note 7) | - | - | **(2,654)** | - | **(2,654)** |
| Actuarial losses on employees' terminal benefits (Note 17) | - | - | - | **(895)** | **(895)** |
| Right issue expenses | - | **(2,876)** | - | - | **(2,876)** |
| Net loss for the year attributable to the shareholders | - | **(13,300)** | - | - | **(13,300)** |
| **Total comprehensive loss attributable to the shareholders** | - | **(16,176)** | **(2,654)** | **(895)** | **(19,725)** |
| **Balance as at 31 December, 2022** | **291,000** | **(132,191)** | **5,934** | **(2,432)** | **162,311** |

| | SAR'000 | | | | |
|---|---|---|---|---|---|
| | Share capital | Accumulated losses | Fair value reserve on available-for-sale investments | Re-measurement reserve of employees' terminal benefits | Total |
| 2021 | | | | | |
| Balance as at 01 January, 2021 | 141,000 | (1,431) | 7,126 | (1,064) | 145,631 |
| Change in fair value reserve on available-for-sale investments (Note 7) | - | - | 1,462 | - | 1,462 |
| Actuarial losses on employees' terminal benefits (Note 17) | - | - | - | (473) | (473) |
| Net loss for the year attributable to the shareholders | - | (114,584) | - | - | (114,584) |
| Total comprehensive income attributable to the shareholders | - | (114,584) | 1,462 | (473) | (113,595) |
| **Balance as at 31 December, 2021** | 141,000 | (116,015) | 8,588 | (1,537) | 32,036 |

Chairman of the Board of Directors | Chief Executive Officer | Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER, 2022**

| | Notes | SAR '000<br>31 December, 2022 | <br>31 December, 2021 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Loss for the year before zakat** | | **(20,732)** | (104,008) |
| **Adjustments for non-cash items:** | | | |
| Depreciation of property and equipment | *12* | **1,554** | 1,783 |
| Depreciation on right of use assets | *9* | **2,667** | 2,011 |
| Finance cost of lease liability | *10* | **119** | 143 |
| Amortisation of intangible assets | *13* | **1,308** | 1,039 |
| Employees' terminal benefits | *17* | **2,111** | 2,184 |
| Allowance for doubtful debts | *6* | **557** | 1,784 |
| | | **(12,416)** | (95,064) |
| **Changes in operating assets and liabilities:** | | | |
| Premiums and reinsurers' receivable | | **(17,859)** | (1,561) |
| Reinsurers' share of unearned premiums | | **(3,632)** | (7,310) |
| Reinsurers' share of outstanding claims | | **(4,379)** | (1,047) |
| Reinsurers' share of claims incurred but not reported | | **(1,801)** | (478) |
| Deferred policy acquisition costs | | **(16,410)** | (12,394) |
| Prepayments and other receivables | | **(6,435)** | 4,288 |
| Policyholders claims payable | | **2,993** | 10,647 |
| Accrued and other payables | | **15,417** | (5,149) |
| Reinsurance payables | | **(833)** | 8,088 |
| Unearned commission income | | **(278)** | (165) |
| Unearned premiums | | **154,997** | 37,275 |
| Premium deficiency reserve | | **(28,273)** | 26,211 |
| Other technical reserves | | **936** | (684) |
| Outstanding claims | | **279** | 8,511 |
| Claims incurred but not reported | | **43,692** | 12,222 |
| | | **125,998** | (16,610) |
| Employees' terminal benefits paid | *17* | **(2,902)** | (3,695) |
| Surplus paid to policyholder | *16* | **(4)** | (418) |
| Zakat and income tax paid | | **-** | (2,318) |
| **Net cash generated from/(used in) operating activities** | | **123,092** | (23,041) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | *12* | **(740)** | (1,880) |
| Purchase of intangible assets | *13* | **(1,769)** | (1,873) |
| Maturity/(Placement) of term deposits | | **182,367** | (63,036) |
| Acquisitions of available-for-sale investment | 7 | **(1,252)** | - |
| Increase in statutory deposit. | | **(13,650)** | - |
| **Net cash generated from /(used in) investing activities** | | **164,956** | (66,789) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability | *10* | **(3,727)** | (2,134) |
| Issuance of share capital | *23* | **150,000** | - |
| Payment for issuing right shares expenses | | **(2,876)** | - |
| **Net cash generated from /(used in) financing activities** | | **143,397** | (2,134) |
| Net Increase/(decrease) in cash and cash equivalents | | **431,445** | (91,964) |
| Cash and cash equivalents, beginning of the period | | **52,973** | 144,937 |
| **Cash and cash equivalents, end of the period** | | **484,418** | 52,973 |
| **NON-CASH INFORMATION** | | | |
| Change in fair value of available-for-sale investments | | **(2,654)** | 1,462 |
| Actuarial loss on employee's terminal benefits | | **(895)** | (473) |
| Addition of right of use assets | | **2,747** | 18 |

Chairman of the Board of Directors | Chief Executive Officer | Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these financial statements.

## 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group ("the Company" or "ACIG") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 1010417178 dated Shabaan 9,1428H, corresponding to 22 August, 2007. The registered office of the Company is situated at Hteen district, Prince Turki bin Abdulaziz Road, Riyadh.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April, 2009, the Company received a license from the Saudi Central Bank ("SAMA") to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July, 2009. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August, 2007.

The Company has 3 registered branches as set out below:

| Branch | Commercial Registration Number | Place of issuance | Date |
|---|---|---|---|
| Branch of ACIG | 2051043671 | Al Khobar | 12 Ramadan 1439 H |
| Branch of ACIG | 5855035150 | Khamis Mushayt | 12 Ramadan 1439 H |
| Branch of ACIG | 4030204059 | Jeddah | 12 Ramadan 1439 H |

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

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.

**Proposed Merger**

The Company signed a non-binding Memorandum of Understanding (the "MOU") with Amana Cooperative Insurance Company on 07/02/1444H (corresponding to 03/09/2022G) to evaluate a potential merger between the two companies. As per the said announcement, both companies will conduct technical, financial, legal and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. The two companies have initially agreed that the methodology used for valuation will be based on equity book value (after any mutually agreed due diligence adjustments). On 15-03- 1444 AH (corresponding to 11-10-2022) ,the Company announced the appointment of Alinma Investment Company as financial advisor and PricewaterhouseCoopers (PWC) as due diligence consultant to assess the company's financial position for the purposes of the feasibility of merging with Amana Cooperative Insurance Company.

### (b) Basis of preparation and measurement

The Company incurred loss for the year ended 31 December 2022 of SAR 13.3 million (31 December 2021: SAR 114.5 million) and, as of that date, the accumulated losses of the Company as at 31 December 2022 are 45.4% of its share capital (82%: 31 December 2021) and the solvency margin of the Company reached to 87% (31 December 2021: -117%). The reason for these losses is primarily attributed to unexpected increase in the number of motor accidents and the average motor claims cost (including policy acquisition cost) across the Kingdom of Saudi Arabia. Owing to these factors, the Company has recorded premium deficiency reserve and claims incurred but not reported as at year end for motor line of business, amounting to SAR 7.45 million (31 December 2021: SAR 35.7 million) and SAR 96.3 million (31 December 2021: SAR 53.1 million) respectively, along with its policy acquisition cost of SAR 74.9 million (31 December 2021: SAR 62.9 million) These events and conditions indicate material uncertainties on the Company's ability to continue as going concern.

Considering the above, various strategic options including capital restructuring were considered by the Board of Directors to ensure appropriateness of the Company's going concern assumption. Amongst such strategic options, the Board of Directors approved a business plan on 21 December, 2021. The plan is based on the adjusted prices for motor line of business for improving the net premium written and control over expenses and loss ratios . Moreover, the Shareholders, in an extraordinary general assembly meeting held on 29 December 2021, resolved to increase the share capital by SAR 150 million (representing 15 million shares) by way of right issue to further strength its liquidity position. The above right issue process was completed in tranches in 2022 and the resulting total proceeds from the right issue was received on 7 March 2022 (Refer to Note 23).

As at 31 December 2022, The above plan demonstrates that the Company will be able to continue as a going concern for foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 2 BASIS OF PREPARATION-(CONTINUED)

### (b) Basis of preparation and measurement-(Continued)

These financial statements have been prepared under going concern basis and historical cost convention except for the measurement at fair value of investments held as fair value through Other comprehensive income and employees' defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short term deposits, premiums and reinsurers' receivable - net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, policyholders payable, reinsurers balances payable, accrued and other liabilities, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported, premium deficiency reserve, other technical reserves and Zakat and income tax payable. All other financial statement line items would generally be classified as non-current, unless stated otherwise.

The statement of financial position, statements of income, statement of other comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 28 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, statement of other comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations. (Note 28).

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 28). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

| | |
|---|---|
| Transfer to Shareholders' operations | 90% |
| Transfer to Policyholders' operations | 10% |
| | 100% |

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

### (c) 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 SAR has been rounded to the nearest thousands, except where otherwise indicated.

### d) Fiscal year

The Company's fiscal year is aligned with the calendar year i.e. it begins at 1 January and ends at 31 December.

### e) Critical accounting judgments, estimates and assumptions

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

## 2 BASIS OF PREPARATION-(CONTINUED)

### e) Critical accounting judgments, estimates and assumptions-(Continued)

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.

In preparing these financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December, 2021. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic.

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 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. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

**iii) Impairment of receivables**

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The Company is exposed to disputes with, and the possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

**2 BASIS OF PREPARATION-(CONTINUED)**

**e) Critical accounting judgments, estimates and assumptions-(Continued)**

**iv) Deferred policy acquisition costs**

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income.

**v) Premium deficiency reserve**

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

**vi) Fair value of financial instruments**

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

**vii) Useful lives of property and equipment and intangible assets**

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

**viii) Going concern**

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. (Note 2(b))

**ix) Employees' terminal benefits**

The employees' terminal benefits obligation is determined by an independent actuary using the projected unit credit method as recommended in IAS 19 "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of sovereign debt instruments that are denominated in Saudi Riyals and have maturity periods approximating that of the gratuity liability.

## 2 BASIS OF PREPARATION-(CONTINUED)

### e) Critical accounting judgments, estimates and assumptions-(Continued)

**ix) Employees' terminal benefits -(Continued)**

The present value of the defined benefit obligation depends on several factors that are determined by the actuary using assumptions such as discount rate, expected future salary increases, mortality rates and staff turnover etc. These estimates are subject to significant uncertainty due to their long-term nature and are reviewed at each reporting date.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with IFRS as endorsed in the KSA and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2021 and new amended IFRS and IFRS Interpretations Committee Interpretations (IFRIC) as mentioned in note 3(a) which have significant impact on the financial position or financial performance of the Company.

New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the company:

| | |
|---|---|
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework |

These amendments had no impact on the financial statements of the company. The company intends to use the practical expedients in future periods if they become applicable.

### A STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early-adopted the new standards in preparing these consolidated financial statements.

| Standard/interpretation | Description | Beginning on or after the following date |
|---|---|---|
| IFRS 17 | Insurance Contracts | See note below |
| IFRS 9 | Financial Instruments | See note below |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies | 1 January, 2023 |
| Amendments to IAS 8 | Definition of accounting estimates | 1 January, 2023 |
| Amendments to IAS 12 | Assets and Liabilities arising from a Single Transaction | 1 January, 2023 |

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material impact on the Company's consolidated financial statements in the period of initial application.

**IFRS 17 Insurance Contracts:**

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

**1) Structure and status of the Implementation project:**

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

The Company has made significant inroads on its implementation journey which is managed internally through a dedicated IFRS 17 Working Group and governed by a Steering Committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems, and the Company is preparing for the reporting requirements from 1 January 2023 onwards.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 17 Insurance Contracts:-(Continued)**

**2) Significant Judgements and Accounting Policy Choices:**

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

**Contracts within/outside the scope of IFRS 17**

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

**Level of Aggregation**

The Company underwrites various P&C, motor and medical products, which have been grouped into the following portfolios according to the guidance from the Standard. The Company has opted to use annual cohorts as the second level of aggregation.

| Line of Business | Portfolio |
|---|---|
| General Accident | Medical Malpractice |
| General Accident | General Accident – Long Term |
| General Accident | General Accident – Short Term |
| Motor | Motor Comprehensive – Corporate |
| Motor | Motor Comprehensive – Retail |
| Motor | Motor Third Party – Corporate |
| Motor | Motor Third Party – Retail |
| Motor | Motor Third Party – Manafeth |
| Fire/Property | Fire/Property |
| Marine Cargo | Marine Cargo |
| Engineering | Engineering – Long Term |
| Engineering | Engineering – Short Term |
| Medical | Group Medical |
| Medical | SME Medical |
| Medical | Visitor Visa |

**Measurement Model**

The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage ("LRC") is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company will be adopting the PAA measurement model for the measurement of LRC for all portfolios. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year but passed the eligibility test.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 17 Insurance Contracts:-(Continued)**

**Initial and subsequent measurement**

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

The carrying amount of a Company of Insurance contracts issued at the end of each reporting period is the sum of
a) the LRC; and
b) the Liability for Incurred Claims ("LIC"), comprising the fulfillment cash flows ("FCF") related to past service allocated to the Company at the reporting date.
There are no investment components within Insurance contracts issued by the Company.

**LIC & LRC**

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to Incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased.The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Risk Adjustment has been estimated using the Mack Method and a VaR-based approach for major businesses (including Motor, Medical and Medical Malpractice) and using a simplified covariance-based approach for other lines of business where the claim history is not credible enough to employ the former approach. The Company presents the entire change in risk adjustment as part of insurance service results.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. However, the Company has decided to discount the LIC for the time value of money.

**Expense Allocation**

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

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on numerous drivers.

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

**Insurance revenue**

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

**Insurance service Expenses**

Insurance service expenses include the following:

a. Incurred claims for the period.
b. Other incurred directly attributable expenses.
c. Insurance acquisition cash flows amortization.
d. Changes that relate to past service – changes in the FCF relating to the LIC.
e. Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.
f. Reinsurer default provision (applicable to reinsurance ceded only).

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 17 Insurance Contracts:-(Continued)**

**Onerous contract**

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. These facts and circumstances include Pricing Adequacy Results (for lines of business where available) and historical Combined Ratios.

**Presentation and Disclosures**

The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, deferred acquisition costs and insurance related receivables, unearned premuim reserves, outstanding claims, claims incurred but not reported and other technical reserves will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance Income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts Issued.

**Transition Impact**

The Company estimates that, on adoption of IFRS 17, the impact of these changes before Zakat and Tax is a reduction in the Company’s total equity by SR 3.38 million to SR 18.35 million at 1 January 2022.

**Impact on Equity:**

| Drivers of Changes in Equity | Impact on equity on transition to IFRS 17 on Jan 1, 2022 |
|---|---|
| Loss Component | Decrease by SR 10.1 million to SR 21.57 million |
| Deferred Acquisition Costs | Increase by SR 7.31 |
| Risk Adjustment | Decrease by SR 2.2 million to SR 6.01 million |
| Accounts Receivable Provision | Decrease by SR 1.95 million to SR 1.95 million |
| Others | Increase by SR 0.73 million to SR 1.66 million |
| **Total Impact** | **Decrease by SR 6.21 million to SR 20.56 million** |

**Impact on assets and liabilities**

| Liabilities | Impact on insurance contract liabilities on transition to IFRS 17 on Jan 1, 2022 |
|---|---|
| Risk Adjustment | Increase by SR 2.2 million to SR 6.01 million |
| Loss Component | Increase by SR 10.1 million to SR 21.57 million |
| Accounts Receivable Provision | Increase by SR 1.95 million |
| Reinsurance Default Provision | Decrease by SR 0.07 million to SR 0.07 million |
| Discounting | Decrease by SR 0.66 million to SR 1.59 million |
| **Total Impact on Liabilities** | **Increase by SR 13.52 million to SR 27.87 million** |

| Assets | |
|---|---|
| Deferred Acquisition Costs | Increase by SR 7.31 million |
| **Total Impact on assets** | **Increase by SR 7.31 million** |

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 17 Insurance Contracts:-(Continued)**

**Transition Impact-(Continued)**

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

**IFRS 9 Financial Instruments:**

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

**Structure and status of the Implementation project:**

The Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by a steering committee. The preparation for IFRS 9 has required some changes to the Company's reporting systems. the Company is well prepared for the reporting requirements from 1 January 2023 onwards. As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

**Significant Judgements and Accounting Policy Choices**

**Financial assets at amortized cost:**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

**Financial assets at FVOCI:**

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

**Financial assets at FVTPL:**

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

The Company expects that majority of the term-deposits to be classified as financial assets at amortised cost while no significant change in the classification of GACA Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 9 Financial Instruments:-(Continued)**

**Significant Judgements and Accounting Policy Choices -(Continued)**

**Business model assessment**

The company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest,'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

**Financial assets – Impairment**

**Overview of Expected Credit Loss ('ECL') principle:**

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

- Financial assets at amortised costs
- Deposits and Bank balances
- Other receivables balance.

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

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

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)**

**IFRS 9 Financial Instruments:-(Continued)**

**Significant Judgements and Accounting Policy Choices -(Continued)**

**Financial assets – Impairment-(Continued)**

**ECL methodology and measurement**

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

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

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

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

**Probability of Default (‘PD’)**

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

**Loss Given Default (‘LGD’)**

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

**Exposure at Default (‘EAD’)**

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

**Forward looking estimate**

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

**Presentation of allowance for ECL in the Balance sheet**

Loss allowances for ECL are presented in the Balance sheet as follows:

- Financial assets measured at amortized cost: as A deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

## A STANDARDS ISSUED BUT NOT YET EFFECTIVE-(CONTINUED)

**IFRS 9 Financial Instruments:-(Continued)**

**Significant Judgements and Accounting Policy Choices -(Continued)**

**Financial Liabilities**

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:
• The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI;
• The remaining amount of the change in the fair value will be presented in the statement of income

**Transition:**

The Company estimates that, on adoption of IFRS 9, the impact of these changes before zakat and tax is a reduction in the company's total equity decrease by SR 0.285 million at 1 January 2022.

| **Drivers of Changes in Equity** | **Impact on equity on transition to IFRS 9 on 1 January 2022** |
|---|---|
| Impairment of financial assets | Decrease by SR 0.214 million to SR 0.356 million |
| **Total Impact** | **Decrease by SR 0.214 million to SR 0.356 million** |

The estimated decrease in total equity includes the impact of the increase in credit impairment provisions compared to those applied at December 31, 2021 under IAS 39. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 on the Company could vary from this estimate. The Company continues to refine models, methodologies and systems and monitor regulatory developments in advance of IFRS 9 adoption on 1 January 2023.

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed financial statements for the period ending 31 March 2023. The Company is not expecting material changes in the classification and measurement of financial assets.

**Overall Impact on Equity due to Transition to IFRS17 and IFRS9**

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes in the Company's total equity of as at 1 January 2022 is as follows;

| **Transition to** | **Change in Equity @ 1 January 2022** |
|---|---|
| IFRS-17 | Decrease by SR 6.21 million to SR 20.56 million |
| IFRS-9 | Decrease by SR 0.214 million to SR 0.356 million |
| **Total Impact** | **Decrease by SR 6.424 million to SR 20.916 million** |

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

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### i) Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of existence of insurance risk. This insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this year.

Insurance contracts are principally divided into marine, property, motor, medical, engineering and accident and liability and are principally short term insurance contracts.

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

Property insurance contracts mainly compensate the Company’s customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen’s compensation/employer’s liability and professional indemnity cover protecting the insured’s legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) “Contractors all risk” insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) “Erection all risk” insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**ii) Reinsurance contracts held**

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

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

**iii) Revenue Recognition**

**Recognition of premium**

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

**Investment income**

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

**Dividend income**

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

**iv) Claims**

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### V) 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.

### vi) 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.

### vii) 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.

### viii) Receivables

Premiums and reinsurance receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 5 fall under the scope of IFRS 4 "Insurance contracts".

### ix) Investments

#### a) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under "Net change in fair value – Available-for-sale-investments". Realized gains or losses on sale of these investments are reported in the related statements of income under "Realized gain / (loss) on investments available for sale investments." Dividend, commission income and foreign currency gain/loss on available-for-sale-investments are recognized in the related statements of income or statement of comprehensive income - shareholder's operations, as part of the net investment income / loss. Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**ix) Investments-(Continued)**

**a) Available-for-sale investments-(Continued)**

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 amortized cost and any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized 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.

**b) Held for trading**

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

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

**Reclassification:**

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

• If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

• If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in ‘rare circumstances’.

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### ix) Investments-(Continued)

### c) Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

**Reclassification:**

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Comapny's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Comapny's ability to use this classification

• Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value.
• Sales or reclassifications after the Company has collected substantially all the assets' original principal
• Sales or reclassifications attributable to non-recurring isolated events beyond the Comapny's control that could not have been reasonably anticipated.

### x) 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.

### xi) 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 other comprehensive income unless required or permitted by any accounting standard or interpretation.

### xii) Trade date accounting

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

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### xiii) Impairment of financial assets

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

Evidence of impairment may include:

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

- Adverse changes in the payment status of issuers or debtors in the Company; or
- National or local economic conditions at the country of the issuers that correlate with defaults on the assets.

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### xiii) Impairment of financial assets-(continued)

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

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

### xiv) Intangible assets

Computer software are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes computer software with a limited useful life using straight-line method over the following periods:

| | Years |
|---|---|
| IT development and software | 4 |

### xv) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

| | Years |
|---|---|
| Motor vehicles | 4 |
| Furniture, fittings and office equipment | 7 |
| Computer equipment | 4 |
| Leasehold improvements | 4 |

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of insurance operations and accumulated surplus.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders’ operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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.

**3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**xvi) Leases**

***Definition of lease***

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

***As a lessee***

The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available).The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

**xvii) 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).

**xviii) Employees' terminal benefits**

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

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### xix) Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined

Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

### xx) Dividend distribution

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

### xxi) Cash and cash equivalents

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

### xxii) 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.

### xxiii) Provision

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

### xxiv) Foreign currencies

Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income and other 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 other comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

### xxv) Fair values

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

### xxvi) 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 provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Energy and engineering insurance
- Other includes property, marine, aviation, accident and liability categories.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

### xxvii) Statutory reserves

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

### xxviii) Accounts and other payables

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

### xxix) Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually.

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

### (xxx) Surplus from insurance operations

Ten-percent (10%) of the net surplus from insurance operations shall be distributed to the policyholders directly, or in the form of reduction in premiums for the next year. The remaining ninety-percent (90%) of the net surplus shall be transferred to the shareholders

## 4 CASH AND CASH EQUIVALENTS

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

| | | SAR'000 | |
|---|---|---|---|
| | | **31 December, 2022** | 31 December, 2021 |
| ***Insurance operations*** | | | |
| Bank balances and cash | | **30,189** | 49,928 |
| Deposits maturing within 3 month from the acquisition date | 4.1 | **373,084** | 3,045 |
| **A segment is a distinguishable component of the Company that is** | | **403,273** | 52,973 |
| ***Shareholders' operations*** | | | |
| Bank balances and cash | | **3,167** | - |
| Deposits maturing within 3 month from the acquisition date | 4.1 | **77,978** | - |
| | | **81,145** | - |
| | | **484,418** | 52,973 |

**4.1** These deposits earn commission at an average rate of 3.34 % per annum as at 31 December, 2022 (31 December 2021: 1.2%).

## 5 TERM DEPOSITS

| | | SAR'000 | |
|---|---|---|---|
| | | **31 December, 2022** | 31 December, 2021 |
| ***Insurance operations*** | | | |
| Term deposits | 5.1 | **-** | 182,367 |
| | | **-** | 182,367 |
| ***Shareholders' operations*** | | | |
| Term deposits | 5.1 | **-** | - |
| | | **-** | - |
| | | **-** | 182,367 |

**5.1** Term deposits are held with the commercial banks. These term deposits are denominated in Saudi Arabian Riyals and have been an original maturity of more than three months and less than twelve months. The carrying amounts of these term deposits reasonably approximate their fair values at the reporting date. These deposit earned commission at an average of 1.07 % per annum in 2021.

## 6 PREMIUM AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

| | | SAR'000 | |
|---|---|---|---|
| | | **31 December, 2022** | 31 December, 2021 |
| Due from policyholders | | **85,961** | 85,215 |
| Due from policyholders – related parties | *21* | **-** | 1,820 |
| Due from brokers and agents | | **25,989** | 15,441 |
| Receivables from reinsurers | | **14,831** | 6,446 |
| | | **126,781** | 108,922 |
| Less: Allowance for doubtful debts | *6.1* | **(11,064)** | (10,507) |
| Premium and reinsurers' receivable – net | | **115,717** | 98,415 |

**6.1** As at 31 December, the movement in allowance for doubtful debts during the year was as follows :

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Balance at the beginning of the year | **10,507** | 8,723 |
| Provided during the year | **557** | 1,784 |
| Balance at the end of the year | **11,064** | 10,507 |

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

| | | | **Past due but not impaired** | | | **Past due but impaired** | |
|---|---|---|---|---|---|---|---|
| | **Total** | **Neither past due nor impaired** | **Less than 30 days** | **31-90 days** | **91-180 days** | **181-360 days** | **More than 360 days** |
| | **SAR'000** | | | | | | |
| **Premium and reinsurers' receivable – net** | | | | | | | |
| **Due from policyholders** | **85,961** | **60,892** | **1,392** | **10,684** | **2,391** | **2,337** | **8,265** |
| **Due from policyholders – related parties** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Due from brokers and agents** | **25,989** | **16,382** | **3,442** | **1,994** | **238** | **216** | **3,717** |
| **Receivables from reinsurers** | **14,831** | **-** | **947** | **418** | **2,172** | **11,294** | **-** |
| **Less: Allowance for doubtful debts** | **(11,064)** | **-** | **-** | **-** | **(1,006)** | **(657)** | **(9,401)** |
| **2022** | **115,717** | **77,274** | **5,781** | **13,096** | **3,795** | **13,190** | **2,581** |

| | | | Past due but not impaired | | | Past due but impaired | |
|---|---|---|---|---|---|---|---|
| | Total | Neither past due nor impaired | Less than 30 days | 31-90 days | 91-180 days | 181-360 days | More than 360 days |
| | SAR'000 | | | | | | |
| Premium and reinsurers' receivable – net | | | | | | | |
| Due from policyholders | 85,215 | 6,176 | 62,692 | 1,348 | 4,133 | 4,944 | 5,922 |
| Due from policyholders – related parties – (Note 21) | 1,820 | - | - | - | 51 | 7 | 1,762 |
| Due from brokers and agents | 15,441 | - | 5,835 | 3,704 | 1,810 | 1,032 | 3,060 |
| Receivables from reinsurers | 6,446 | - | - | 6,446 | - | - | - |
| Less: Allowance for doubtful debts | (10,507) | - | - | - | (900) | (1,495) | (8,112) |
| 2021 | 98,415 | 6,176 | 68,527 | 11,498 | 5,094 | 4,488 | 2,632 |

## 6 PREMIUM AND REINSURERS' RECEIVABLE, NET- (CONTINUED)

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 2022 is 42.3% (31 December 2021: 44.4 %) of the premiums receivable.

## 7 AVAILABLE-FOR-SALE INVESTMENTS

All available-for-sale investments are in shareholders' operations and comprise the following :

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Investment in Sukuk | **20,000** | 20,000 |
| Quoted securities | **12,507** | 11,508 |
| Unquoted securities | **1,923** | 1,923 |
| Quoted local real estate fund | **14,889** | 17,290 |
| | **49,319** | 50,721 |

Movements in available-for-sale investments are as follows:

| | SAR'000 | | | | |
|---|---|---|---|---|---|
| | **Investment in Sukuk** | **Quoted securities** | **Unquoted securities** | **Units in quoted local real estate fund** | **Total** |
| **As at January 01, 2022** | **20,000** | **11,508** | **1,923** | **17,290** | **50,721** |
| Additions during the year | **-** | **1,252** | **-** | **-** | **1,252** |
| Changes in fair value of investments | **-** | **(253)** | **-** | **(2,401)** | **(2,654)** |
| **As at 31 December 2022** | **20,000** | **12,507** | **1,923** | **14,889** | **49,319** |

| | SAR'000 | | | | |
|---|---|---|---|---|---|
| | Investment in Sukuk | Quoted securities | Unquoted securities | Units in quoted local real estate fund | Total |
| As at January 01, 2021 | 20,000 | 11,177 | 1,923 | 16,159 | 49,259 |
| Changes in fair value of investments | - | 331 | - | 1,131 | 1,462 |
| As at 31 December 2021 | 20,000 | 11,508 | 1,923 | 17,290 | 50,721 |

## 8 TECHNICAL RESERVES (INSURANCE OPERATIONS)

### 8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Outstanding claims | **34,884** | 34,605 |
| Claims incurred but not reported | **124,557** | 80,865 |
| Premium deficiency reserve | **7,454** | 35,727 |
| Other technical reserves | **2,734** | 1,798 |
| | **169,629** | 152,995 |
| Less: | | |
| Reinsurers' share of outstanding claims | **(17,334)** | (12,955) |
| Reinsurers' share of claims incurred but not reported | **(10,299)** | (8,498) |
| | **(27,633)** | (21,453) |
| Net outstanding claims and reserves | **141,996** | 131,542 |

### 8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

| | SAR'000 | | |
|---|---|---|---|
| | **For the year ended 31 December, 2022** | | |
| | **Gross** | **Reinsurance** | **Net** |
| **Balance as at the beginning of the year** | **301,744** | **(34,703)** | **267,041** |
| Premium written during the year | **830,694** | **(100,240)** | **730,454** |
| Premium earned during the year | **(675,697)** | **96,608** | **(579,089)** |
| **Balance as at the end of the year** | **456,741** | **(38,335)** | **418,406** |

| | SAR'000 | | |
|---|---|---|---|
| | For the year ended 31 December, 2021 | | |
| | Gross | Reinsurance | Net |
| Balance as at the beginning of the year | 264,469 | (27,393) | 237,076 |
| Premium written during the year | 592,588 | (78,531) | 514,057 |
| Premium earned during the year | (555,313) | 71,221 | (484,092) |
| Balance as at the end of the year | 301,744 | (34,703) | 267,041 |

## 8 TECHNICAL RESERVES (INSURANCE OPERATIONS) (CONTINUED)

### 8.3 Deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Opening balance | **44,053** | 31,659 |
| Incurred during the year | **106,798** | 87,494 |
| Amortized during the year | **(90,388)** | (75,100) |
| Closing balance | **60,463** | 44,053 |

## 9 RIGHT OF USE ASSETS, NET

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Cost:** | | |
| At beginning of the year | **10,091** | 10,073 |
| Additions during the year | **2,747** | 18 |
| As at end of year | **12,838** | 10,091 |
| **Accumulated amortization** | | |
| At beginning of the year | **(6,862)** | (4,851) |
| Charge for the year | **(2,667)** | (2,011) |
| As at end of year | **(9,529)** | (6,862) |
| **Net book value** | **3,309** | 3,229 |

## 10 LEASE LIABILITIES

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Liabilities:** | | |
| At beginning of the year | **10,736** | 10,593 |
| Additions during the period | **2,747** | - |
| Finance cost | **119** | 143 |
| As at end of year | **13,602** | 10,736 |
| **Payments:** | | |
| At beginning of the year | **(7,753)** | (5,619) |
| Paid during the year | **(3,727)** | (2,134) |
| As at end of year | **(11,480)** | (7,753) |
| **Total lease liabilities** | **2,122** | 2,983 |

## 11 STATUTORY DEPOSIT

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| ***Shareholders' operations*** | | |
| **Statutory deposit** | **43,650** | 30,000 |

As required by Saudi Arabian Insurance Regulations, the Company had deposited 15% of its increased paid up capital of SAR 291 million (Note 23), in a bank designated by the Saudi Central Bank (SAMA). The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

## 12 PROPERTY AND EQUIPMENT, NET

| | SAR'000 | | | | | |
|---|---|---|---|---|---|---|
| | **Motor Vehicles** | **Furniture, fittings and office equipment** | **Computer equipment** | **Leasehold improvements** | **Total 2022** | Total 2021 |
| **Cost:** | | | | | | |
| As at 01 January | **116** | **7,601** | **7,519** | **9,467** | **24,703** | 22,823 |
| Additions during the year | **-** | **63** | **482** | **195** | **740** | 1,880 |
| As at 31 December | **116** | **7,664** | **8,001** | **9,662** | **25,443** | 24,703 |
| **Accumulated depreciation:** | | | | | | |
| As at 01 January | **116** | **7,171** | **5,484** | **6,522** | **19,293** | 17,509 |
| Charge for the year | **-** | **390** | **548** | **616** | **1,554** | 1,783 |
| As at 31 December | **116** | **7,561** | **6,032** | **7,138** | **20,847** | 19,292 |
| **Net book value** | | | | | | |
| **As at 31 December, 2022** | **-** | **103** | **1,969** | **2,524** | **4,596** | |
| As at 31 December, 2021 | 1 | 430 | 2,035 | 2,945 | - | 5,411 |

## 13 INTANGIBLE ASSETS

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Cost:** | | |
| As at 01 January | **12,054** | 10,181 |
| Additions during the year | **1,769** | 1,873 |
| As at 31 December | **13,823** | 12,054 |
| **Accumulated amortisation:** | | |
| As at 01 January | **6,469** | 5,430 |
| Charge for the year | **1,308** | 1,039 |
| As at 31 December | **7,777** | 6,469 |
| **Net book Value** | **6,046** | 5,585 |

## 14 COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Letter of guarantees | **4,809** | 3,045 |

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

## 15 ACCRUED AND OTHER PAYABLES

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Brokers payable | **10,131** | 6,995 |
| Accrued expenses | **16,117** | 4,358 |
| Third party administrative payable | **-** | 1,067 |
| Tax payable | **5,033** | 2,517 |
| Others | **3,091** | 4,018 |
| | **34,372** | 18,955 |

## 16 SURPLUS DISTRIBUTION PAYABLE

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Opening surplus distribution payable as at 1 January | **5,991** | 6,409 |
| Surplus paid during the year | **(4)** | (418) |
| Closing surplus distribution payable as at 31 December | **5,987** | 5,991 |

## 17 EMPLOYEES' TERMINAL BENEFITS

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:

### 17.1 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:

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Present value of defined benefit obligation | **13,072** | 12,968 |

### 17.2 Movement of defined benefit obligation

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Opening balance | **12,968** | 14,006 |
| Charge to statement of income | **2,111** | 2,184 |
| Charge to statement of other comprehensive income | **895** | 473 |
| Payment of benefits during the year | **(2,902)** | (3,695) |
| Closing balance | **13,072** | 12,968 |

### 17.3 Reconciliation of present value of defined benefit obligation

| | **31 December, 2022** | 31 December, 2021 |
|---|---|---|
| | SAR'000 | |
| Present value of defined benefit obligation as at 1 January | **12,968** | 14,006 |
| Current service costs | **1,794** | 1,892 |
| Financial costs | **317** | 292 |
| Actuarial loss from experience adjustments | **895** | 473 |
| Benefits paid during the year | **(2,902)** | (3,695) |
| Present value of defined benefit obligation as at 31 December | **13,072** | 12,968 |

### 17.4 Principal actuarial assumptions

| | **31 December, 2022** | 31 December, 2021 |
|---|---|---|
| | SAR'000 | |
| Valuation discount rate | **4.20%** | **2.75%** |
| Expected rate of increase in salary level across different age bands | **4.20%** | **1.00%** |

## 17 EMPLOYEES' TERMINAL BENEFITS-(CONTINUED)

### 17.4 Principal actuarial assumptions-(Continued)

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

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Valuation discount rate** | | |
| -Increase by 1% | **12,212** | 11,934 |
| -Decrease by 1% | **14,059** | 14,185 |
| **Expected rate of increase in salary level across different age bands** | | |
| -Increase by 1% | **14,116** | 14,259 |
| -Decrease by 1% | **12,146** | 11,853 |
| **Mortality rate** | | |
| -1 year Mortality age set back | **13,069** | 12,971 |
| -1 year Mortality age set forward | **13,074** | 12,964 |
| **Withdrawal turnover** | | |
| -Increase by 10% | **12,956** | 12,964 |
| -Decrease by 10% | **13,199** | 12,920 |

## 18 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 2015 and earlier onwards whose claim experience has not been fully developed.

## 18 CLAIMS DEVELOPMENT TABLE-(CONTINUED)

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

**Claims development table gross of reinsurance:**

**2022**

| | SAR'000 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Accident year or Underwriting year** | **2016 & Earlier** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **TOTAL** |
| **At the end of accident year** | **959,853** | **267,868** | **331,435** | **387,920** | **344,741** | **455,381** | **538,505** | **3,285,703** |
| **One year later** | **989,428** | **266,333** | **325,348** | **392,016** | **333,804** | **443,378** | **-** | **2,750,307** |
| **Two years later** | **985,458** | **264,489** | **326,328** | **388,595** | **336,280** | **-** | **-** | **2,301,150** |
| **Three years later** | **992,995** | **265,417** | **327,777** | **388,005** | **-** | **-** | **-** | **1,974,194** |
| **Four years later** | **994,944** | **265,751** | **326,642** | **-** | **-** | **-** | **-** | **1,587,337** |
| **Five years later** | **930,239** | **266,122** | **-** | **-** | **-** | **-** | **-** | **1,196,361** |
| **Six years later** | **923,554** | **-** | **-** | **-** | **-** | **-** | **-** | **923,554** |
| **Current estimate of cumulative claims** | **923,554** | **266,122** | **326,642** | **388,005** | **336,280** | **443,378** | **538,505** | **3,222,486** |
| **Cumulative payments to date** | **(922,695)** | **(265,572)** | **(325,841)** | **(386,482)** | **(331,325)** | **(432,135)** | **(398,995)** | **(3,063,045)** |
| **Liability recognized in statement of financial position** | **859** | **550** | **801** | **1,523** | **4,955** | **11,243** | **139,510** | **159,441** |
| **Salvage and subrogation** | **52** | **57** | **86** | **8,048** | **10,522** | **2,099** | **6,355** | **27,219** |
| **Premium deficiency reserve** | **-** | **-** | **-** | **-** | **-** | **-** | **7,454** | **7,454** |
| **Outstanding Claims** | **833** | **497** | **1,000** | **(6,987)** | **(7,249)** | **2,117** | **44,673** | **34,884** |

2021

| | SAR'000 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Accident year or Underwriting year | 2015 & Earlier | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | TOTAL |
| At the end of accident year | 608,843 | 351,010 | 267,868 | 331,435 | 387,920 | 344,741 | 455,381 | 2,747,198 |
| One year later | 660,630 | 328,798 | 266,333 | 325,348 | 392,016 | 333,804 | - | 2,306,929 |
| Two years later | 660,291 | 325,167 | 264,489 | 326,328 | 388,595 | - | - | 1,964,870 |
| Three years later | 667,977 | 325,018 | 265,417 | 327,777 | - | - | - | 1,586,189 |
| Four years later | 668,800 | 326,144 | 265,751 | - | - | - | - | 1,260,695 |
| Five years later | 603,691 | 326,548 | - | - | - | - | - | 930,239 |
| Six years later | 605,096 | - | - | - | - | - | - | 605,096 |
| Current estimate of cumulative claims | 605,096 | 326,548 | 265,751 | 327,777 | 388,595 | 333,804 | 455,381 | 2,702,952 |
| Cumulative payments to date | (602,755) | (326,039) | (264,346) | (324,662) | (384,855) | (329,819) | (355,008) | (2,587,484) |
| Liability recognized in statement of financial position | 2,341 | 509 | 1,405 | 3,115 | 3,740 | 3,985 | 100,373 | 115,468 |
| Salvage and subrogation | (39) | 26 | 15 | 71 | 7,686 | 10,010 | - | 17,769 |
| Premium deficiency reserve | - | - | - | - | - | - | 35,727 | 35,727 |
| Outstanding Claims and Reserves | 2,236 | 414 | 963 | 1,214 | (6,518) | (6,222) | 42,518 | 34,605 |

## 19 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial statement.

**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 amount and fair value

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

**Shareholders' operations**

| SAR'000s | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| 31 December, 2022 | | | | | |
| Financial assets measured at fair value | | | | | |
| Available-for-sales investments | | | | | |
| Quoted securities | **12,507** | **12,507** | - | - | **12,507** |
| Quoted local real estate fund | **14,889** | **14,889** | - | - | **14,889** |
| | **27,396** | **27,396** | - | - | **27,396** |

The fair value of unquoted securities at level 3 is not materially different than its cost price.

Investment in Najm amounting to SR 1,923,000 is and Investment in Sukuks amounting to SR 20,000,000 are excluded from above table because these are carried at costs their fair values were not determined.

**Shareholders' operations**

| SAR'000s | Value | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| 31 December, 2021 | | | | | |
| Financial assets measured at fair value | | | | | |
| Available-for-sales investments | | | | | |
| Quoted securities | 11,508 | 11,508 | - | - | 11,508 |
| Quoted local real estate fund | 17,290 | 17,290 | - | | 17,290 |
| | 28,798 | 28,798 | - | - | 28,798 |

During the year ended 31 December 2022, there were no movements between the levels.

## 20 SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors 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 Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.Segment results do not include general and administrative expenses, allowance for doubtful debts and other income. Segment assets do not include cash and cash equivalents, term deposits, prepayments and other receivables, due from a related party property and equipment, net, intangible assets and right of use assets, net. Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December, 2022 and 31 December 2021, its total revenues, expenses, and net income for the year ended, are as follows:

## 20 SEGMENTAL INFORMATION - (CONTINUED)

| | As at December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medical | Motor | General Accident | Others | Total - Insurance Operations | Shareholders' Operations | Total |
| | SAR'000 | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 403,273 | 81,145 | 484,418 |
| Term Deposits | - | - | - | - | - | - | - |
| Premiums and reinsurers' receivable - net | - | - | - | - | 115,717 | - | 115,717 |
| Reinsurers' share of unearned premiums | 29,946 | - | 3,789 | 4,600 | 38,335 | - | 38,335 |
| Reinsurers' share of outstanding claims | 10,797 | 3,399 | 2,911 | 227 | 17,334 | - | 17,334 |
| Reinsurers' share of claims Incurred but not reported | 9,413 | - | 250 | 636 | 10,299 | - | 10,299 |
| Deferred policy acquisition costs | 8,848 | 50,109 | 1,079 | 427 | 60,463 | - | 60,463 |
| Available-for-sale investments | - | - | - | - | 49,319 | - | 49,319 |
| Unallocated assets | - | - | - | - | 33,291 | 95,562 | 128,853 |
| **Total assets** | 59,004 | 53,508 | 8,029 | 5,890 | 728,031 | 176,707 | 904,738 |
| **Liabilities** | | | | | | | |
| Policyholders claim payable | - | - | - | - | 23,782 | - | 23,782 |
| Reinsurers' balances payable | - | - | - | - | 23,916 | - | 23,916 |
| Unearned premiums | 89,125 | 340,487 | 21,844 | 5,285 | 456,741 | - | 456,741 |
| Unearned commission income | - | - | 191 | 792 | 983 | - | 983 |
| Outstanding claims | 24,614 | 1,902 | 8,045 | 323 | 34,884 | - | 34,884 |
| Claims incurred but not reported | 20,921 | 96,304 | 6,492 | 840 | 124,557 | - | 124,557 |
| Premium deficiency reserves | - | 7,454 | - | - | 7,454 | - | 7,454 |
| Other technical reserves | 299 | 2,177 | 235 | 23 | 2,734 | - | 2,734 |
| Unallocated liabilities and equity | - | - | - | - | 52,980 | 176,707 | 229,687 |
| **Total liabilities and insurance operations` surplus** | 134,959 | 448,324 | 36,807 | 7,263 | 728,031 | 176,707 | 904,738 |

**20 SEGMENTAL INFORMATION - (CONTINUED)**

| | As at December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medical | Motor | General Accident | Others | Total - Insurance Operations | Shareholders' Operations | Total |
| | SAR'000 | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | 52,973 | - | 52,973 |
| Term deposits | | | | | 182,367 | - | 182,367 |
| Premiums and reinsurers' receivable - net | - | - | - | - | 98,415 | - | 98,415 |
| Reinsurers' share of unearned premiums | 17,798 | - | 5,309 | 11,596 | 34,703 | - | 34,703 |
| Reinsurers' share of outstanding claims | 6,089 | 3,399 | 1,464 | 2,003 | 12,955 | - | 12,955 |
| Reinsurers' share of claims Incurred but not reported | 7,719 | - | 324 | 455 | 8,498 | - | 8,498 |
| Deferred policy acquisition costs | 3,858 | 38,906 | 728 | 561 | 44,053 | - | 44,053 |
| Available-for-sale investments | - | - | - | - | 50,721 | - | 50,721 |
| Unallocated assets | - | - | - | - | 54,688 | 85,131 | 139,819 |
| **Total assets** | 35,464 | 42,305 | 7,825 | 14,615 | 539,373 | 85,131 | 624,504 |
| **Liabilities** | | | | | | | |
| Policyholders claim payable | - | - | - | - | 20,789 | - | 20,789 |
| Reinsurers' balances payable | - | - | - | - | 24,749 | - | 24,749 |
| Unearned premiums | 70,575 | 200,688 | 17,944 | 12,537 | 301,744 | - | 301,744 |
| Unearned commission income | - | - | 320 | 941 | 1,261 | - | 1,261 |
| Outstanding claims | 17,670 | 8,149 | 7,569 | 1,217 | 34,605 | - | 34,605 |
| Claims incurred but not reported | 22,679 | 53,128 | 4,468 | 590 | 80,865 | - | 80,865 |
| Premium deficiency reserves | - | 35,727 | - | - | 35,727 | - | 35,727 |
| Other technical reserves | 279 | 1,303 | 188 | 28 | 1,798 | - | 1,798 |
| Unallocated liabilities and equity | - | - | - | - | 37,835 | 85,131 | 122,966 |
| **Total liabilities and insurance operations` surplus** | 111,203 | 298,995 | 30,489 | 15,313 | 539,373 | 85,131 | 624,504 |

**20 SEGMENTAL INFORMATION - (CONTINUED)**

| | For the year ended 31 December, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medical | Motor | General Accident | Others | Total Insurance Operations | Shareholders' Operations | Total |
| | | | | SAR'000 | | | |
| REVENUES | | | | | | | |
| Gross premiums written | 215,208 | 566,972 | 25,752 | 22,762 | 830,694 | - | 830,694 |
| Reinsurance premiums ceded | | | | | | | |
| -Local | - | - | (48) | (1,240) | (1,288) | - | (1,288) |
| -Foreign-Direct | (71,213) | - | (4,562) | (18,987) | (94,762) | - | (94,762) |
| -Foreign-Through local reinsurance broker | - | - | - | (676) | (676) | - | (676) |
| | (71,213) | - | (4,610) | (20,903) | (96,726) | - | (96,726) |
| Excess of loss premiums | | | | | | | |
| -Local | - | (1,221) | (6) | (179) | (1,406) | - | (1,406) |
| -Foreign-Direct only | - | (2,108) | - | - | (2,108) | - | (2,108) |
| | - | (3,329) | (6) | (179) | (3,514) | - | (3,514) |
| Net premiums written | 143,995 | 563,643 | 21,136 | 1,680 | 730,454 | - | 730,454 |
| Changes in unearned premiums, net | (6,500) | (139,801) | (5,541) | 477 | (151,365) | - | (151,365) |
| Net premiums earned | 137,495 | 423,842 | 15,595 | 2,157 | 579,089 | - | 579,089 |
| Reinsurance commission income | - | - | 704 | 3,224 | 3,928 | - | 3,928 |
| Other underwriting income | 4,745 | 516 | 10,503 | - | 15,764 | - | 15,764 |
| TOTAL REVENUES | 142,240 | 424,358 | 26,802 | 5,381 | 598,781 | - | 598,781 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | | |
| Gross claims paid | 130,246 | 360,343 | 2,588 | 2,752 | 495,929 | - | 495,929 |
| Reinsurers' share of claims paid | (50,643) | - | (237) | (2,560) | (53,440) | - | (53,440) |
| Net claims paid | 79,603 | 360,343 | 2,351 | 192 | 442,489 | - | 442,489 |
| Changes in outstanding claims, net | 2,351 | (6,658) | (11) | 218 | (4,100) | - | (4,100) |
| Changes in claims incurred but not reported, net | (3,510) | 43,174 | 1,976 | 251 | 41,891 | - | 41,891 |
| Net claims incurred | 78,444 | 396,859 | 4,316 | 661 | 480,280 | - | 480,280 |
| Change in other technical reserves | 19 | 875 | 47 | (5) | 936 | - | 936 |
| Changes in premium deficiency reserve | - | (28,273) | - | - | (28,273) | - | (28,273) |
| Policy acquisition costs | 13,172 | 74,853 | 1,017 | 1,346 | 90,388 | - | 90,388 |
| Other underwriting expenses | 2,652 | 1,227 | - | - | 3,879 | - | 3,879 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 94,287 | 445,541 | 5,380 | 2,002 | 547,210 | - | 547,210 |
| NET UNDERWRITING INCOME/(LOSS) | 47,953 | (21,183) | 21,422 | 3,379 | 51,571 | - | 51,571 |
| OTHER OPERATING (EXPENSES) / INCOME | | | | | | | |
| Allowance for doubtful debts | | | | | (557) | - | (557) |
| General and administrative expenses | | | | | (82,527) | 163 | (82,364) |
| Commission income on deposits | | | | | 6,227 | 2,383 | 8,610 |
| Investment income | | | | | - | 2,013 | 2,013 |
| Other income/expenses | | | | | (5) | - | (5) |
| TOTAL OTHER OPERATING EXPENSES / INCOME | | | | | (76,862) | 4,559 | (72,303) |
| Loss for the year | | | | | | | (20,732) |
| Zakat reversal for the year | | | | | | | 7,432 |
| Net deficit | | | | | | | (13,300) |
| Loss transferred to shareholders | | | | | | | 13,300 |
| NET RESULT AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS | | | | | | | - |

## 20 SEGMENTAL INFORMATION -

For the year ended 31 December, 2021

| | Medical | Motor | General Accident | Others | Total Insurance Operations | Shareholders' Operations | Total |
|---|---|---|---|---|---|---|---|
| | | | | SAR'000 | | | |
| REVENUES | | | | | | | |
| Gross premiums written | 159,483 | 383,498 | 20,592 | 29,015 | 592,588 | - | 592,588 |
| Reinsurance premiums ceded | | | | | | | |
| -Local | (152) | - | (60) | (1,516) | (1,728) | - | (1,728) |
| -Foreign-Direct | (39,388) | - | (7,971) | (24,277) | (71,636) | | (71,636) |
| -Foreign- Through local reinsurance broker | - | - | - | (828) | - | - | (828) |
| | (39,540) | - | (8,031) | (26,621) | (73,364) | - | (74,192) |
| Excess of loss premiums | | | | | | | |
| -Local | - | (2,327) | (7) | (178) | (2,512) | - | (2,512) |
| -Foreign-Direct only | - | (1,551) | (9) | (267) | (1,827) | - | (1,827) |
| | - | (3,878) | (16) | (445) | (4,339) | - | (4,339) |
| Net premiums written | 119,943 | 379,620 | 12,545 | 1,949 | 514,057 | - | 514,057 |
| Changes in unearned premiums, net | (1,141) | (28,208) | (459) | (157) | (29,965) | - | (29,965) |
| Net premiums earned | 118,802 | 351,412 | 12,086 | 1,792 | 484,092 | - | 484,092 |
| Reinsurance commission income | - | - | 990 | 3,708 | 4,698 | - | 4,698 |
| Other underwriting income | 66 | 34 | 185 | - | 285 | - | 285 |
| TOTAL REVENUES | 118,868 | 351,446 | 13,261 | 5,500 | 489,075 | - | 489,075 |
| UNDERWRITING COSTS AND EXPENSES | | | | | | | |
| Gross claims paid | 121,801 | 304,839 | 2,923 | 567 | 430,130 | - | 430,130 |
| Reinsurers' share of claims paid | (37,197) | - | (88) | (203) | (37,488) | - | (37,488) |
| Net claims paid | 84,604 | 304,839 | 2,835 | 364 | 392,642 | - | 392,642 |
| Changes in outstanding claims, net | 919 | 6,166 | 231 | 148 | 7,464 | - | 7,464 |
| Changes in claims incurred but not reported, net | (649) | 10,870 | 1,462 | 61 | 11,744 | - | 11,744 |
| Net claims incurred | 84,874 | 321,875 | 4,528 | 573 | 411,850 | - | 411,850 |
| Change in other technical reserves | (77) | (473) | (120) | (14) | (684) | - | (684) |
| Changes in premium deficiency reserve | (5,060) | 31,271 | - | - | 26,211 | - | 26,211 |
| Policy acquisition costs | 9,987 | 62,873 | 780 | 1,460 | 75,100 | - | 75,100 |
| Other underwriting expenses | 6 | 416 | - | - | 422 | - | 422 |
| TOTAL UNDERWRITING COSTS AND EXPENSES | 89,730 | 415,962 | 5,188 | 2,019 | 512,899 | - | 512,899 |
| NET UNDERWRITING INCOME | 29,138 | (64,516) | 8,073 | 3,481 | (23,824) | - | (23,824) |
| OTHER OPERATING (EXPENSES) / INCOME | | | | | | | |
| Release of doubtful debts | | | | | (1,784) | - | (1,784) |
| General and administrative expenses | | | | | (80,065) | (2,404) | (82,469) |
| Commission income on deposits | | | | | 1,539 | 402 | 1,941 |
| Investment income | | | | | - | 2,004 | 2,004 |
| Other income | | | | | 124 | - | 124 |
| TOTAL OTHER OPERATING EXPENSES, NET | | | | | (80,186) | 2 | (80,184) |
| Loss for the year | | | | | | | (104,008) |
| Zakat charge for the year | | | | | | | (10,576) |
| Net deficit | | | | | | | (114,584) |
| Loss transferred to shareholders | | | | | | | 114,584 |
| NET RESULT AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS | | | | | | | - |

**20 SEGMENTAL INFORMATION - (CONTINUED)**

| | For the year ended 31 December, 2022 | | | |
|---|---|---|---|---|
| | **Medical** | **Motor** | **Properties and Casualty** | **Total** |
| | **SAR'000** | | | |
| **Gross premiums written** | | | | |
| Individual | **2,982** | **553,709** | **18,438** | **575,129** |
| Micro enterprise | **102,781** | **9,596** | **895** | **113,272** |
| Small | **47,674** | **2,032** | **4,074** | **53,780** |
| Medium | **23,789** | **852** | **12,003** | **36,644** |
| Large | **37,982** | **783** | **13,104** | **51,869** |
| **TOTAL GROSS PREMIUMS WRITTEN** | **215,208** | **566,972** | **48,514** | **830,694** |

| | For the year ended 31 December, 2021 | | | |
|---|---|---|---|---|
| | Medical | Motor | Properties and Casualty | Total |
| | SAR'000 | | | |
| Gross premiums written | | | | |
| Individual | 2,489 | 374,577 | 10,074 | 387,140 |
| Micro enterprise | 60,300 | 5,990 | 1,067 | 67,357 |
| Small | 58,004 | 1,741 | 4,416 | 64,161 |
| Medium | 25,209 | 789 | 18,136 | 44,134 |
| Large | 13,481 | 401 | 15,914 | 29,796 |
| TOTAL GROSS PREMIUMS WRITTEN | 159,483 | 383,498 | 49,607 | 592,588 |

## 21 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 period and the related balances:

| Related parties | Nature of transaction | Transactions for the year ended | | Balance receivable / (payable) as at | |
|---|---|---|---|---|---|
| | | **31 December, 2022** | 31 December, 2021 | **31 December, 2022** | 31 December, 2021 |
| | | SAR'000 | | | |
| Board of directors | Premuim written | - | 145 | - | - |
| Affiliates | Premuim written | - | 305 | - | 1,878 |
| | Claims paid/ payment received | - | - | **(187)** | (187) |
| ACIG Bahrain (Shareholder) | Claims paid on behalf of ACIG Bahrain | **-** | - | **1,985** | 1,985 |
| Board and audit committee | Attendance fees | **202** | **202** | **-** | **-** |

**Remuneration and compensation of BOD Members and Top Executives (Disclose number of top executives)**

| | **SAR'000** | |
|---|---|---|
| **2022** | **BOD members (Non-Executive)** | **Top Executives including the CEO and CFO** |
| Salaries and compensation | **-** | **3,185** |
| Allowances | **58** | **-** |
| End of service indemnities | **-** | **233** |
| | **58** | **3,418** |

| | SAR'000 | |
|---|---|---|
| 2021 | BOD members (Non-Executive) | Top Executives including the CEO and CFO |
| Salaries and compensation | - | 5,504 |
| Allowances | 134 | - |
| Annual remuneration | 1,035 | 120 |
| End of service indemnities | - | 410 |
| | 1,169 | 6,034 |

## 22 ZAKAT AND INCOME TAX

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

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Equity | **291,000** | 141,000 |
| Opening provisions and other adjustments | **28,889** | 36,136 |
| Net book value of long term assets | **(59,562)** | (24,870) |
| Accumulated losses | **(116,015)** | (1,431) |
| Statutory deposit | **(43,650)** | (30,000) |
| Others | **(51,778)** | - |
| | **48,884** | 120,835 |
| Adjusted income for the year | **(13,010)** | (85,276) |
| Zakat base at 2.5% | **935** | 983 |

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Balance at the beginning of the year | **16,888** | 8,630 |
| (Reversed) /Provided during the year | **(7,432)** | 10,576 |
| Payments during the year | **-** | (2,318) |
| Balance at the end of the year | **9,456** | 16,888 |

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Zakat base has been computed based on the Company's understanding of the Zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the ZATCA could be different from the declarations filed by the Company.

**Income tax:**

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Balance at the beginning of the year | **25** | 25 |
| Balance at the end of the year | **25** | 25 |
| **Total zakat and income tax** | **9,481** | 16,913 |

**Status of assessments**

Zakat and income tax returns have been filed with the Zakat, Tax and Custom Authority (the "ZATCA ") for the years ended up to 31 December 2021. Final certificate has been received from the ZATCA for the year ended 31 December 2021. The major difference of additional assessment relates to disallowance of a portion of pre-incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment with the Preliminary Tax Objection Committee subsequent to the year end, an adverse decision was received from the Preliminary Tax Objection Committee, upon which the Company filed appeal with the Higher Objection Committee. The Higher Objection Committee issued its decision in favour of the Company with respect to Zakat and rejected the appeal related to withholding tax.

## 22 ZAKAT AND INCOME TAX-(CONTINUED)

**Status of assessments-(Continued)**

The Company has raised an objection for an unfavourable assessment raised by the ZATCA for the years ended 31 December 2013 till 2015 with the amount of SAR 4.98 million. The objection is currently under study by the ZATCA. The Company received a claim from the ZATCA for an amount of SAR 5.18 million representing withholding tax, the Company raised an objection against the claim with the General Secretariat of Tax Committee (GSTC) which has been also rejected and now is under appeal with the Appeal Committee for Tax Violation and Disputes. But ACIG paid the amount to exempt penalties

During 2020, the ZATCA issued an assessment for the years 2016 to 2018 claiming additional liability of SAR 5.85 million. The Company has raised an objection against such assessments which has been rejected by the ZATCA. The Company raised the objection to the GSTC and it is currently under study by the committee.

During 2021, the ZATCA issued an assessment for the years 2019 to 2020 claiming additional liability of SAR 3.45 million. As at 31 December, 2022, the Company is still in the process of decising whether an objection against such assessments needs to be made or not.

## 23 SHARE CAPITAL

As at 31 December, 2022, the authorized, subscribed and paid up share capital of the Company was SAR 291 million (31 December 2021:141 Million) , divided into 29.1 million (31 December 2021:14.1 million) shares of SAR 10 each.

On January 16, 2020, the Company's Board of Directors had recommended to reduce the Company's share capital from SR 200 million to SR 141 million – represented by 5.9 million share - by off-setting with accumulated losses. In an extra-ordinary general meeting held on Muharram 21, 1441H corresponding to August 26 2020, the shareholders of the Company approved the above recommendation and required changes in the Company by-law relating to the reduction. Accordingly, the share capital and accumulated losses have been reduced to SAR 141 million.

The capital reduction is through the reduction of 1 share for every 3.3898 shares held by the shareholders. The purpose of capital reduction is to restructure the capital position of the Company in order to comply with the Companies Law. There is no impact of reduction in capital on the Company's financial obligations.

On Jamad Al-Awwal 21, 1441H corresponding to January 16 2020, the Board of Directors had recommended an increased in the Company's capital through right issue with a total value of SR 150 million. On Safar 14, 1442H corresponding to October 1 2020, the Company obtained approval from SAMA. On Safar 27, 1443H , corresponding to September 20, 2021 the Capital Market authority (CMA) approved the said capital increase. The extra ordinary general meeting of shareholders was held on December 29, 2021 (corresponding to Jumada Al-Awwal 26, 1443H), to approve the aforementioned capital increase and procedures for the issuance of right shares.

Following the Shareholders'approval, on January 01 2022, the Company announced trading of 15 million right shares starting from 03 January 2022 (corresponding to Jumada Al-Awwal 30, 1443H) to 10 January 2022 (corresponding to Jumada ath- Thaniyah 07, 1443) The closing date for the subscription of new shares was set at January 13, 2022 (corresponding to Jumada ath- Thaniyah 09, 1443)

Out of 15 Million right shares, 13.3 million shares consisting approximately 89% of total right shares offer, were subscribed by the existing shareholders. Unsubscribed fraction of shares constituting 1.67 million were sold in market at the prevailing marlet price. The Company has fulfilled all the regulatory requirements of the aforementioned capital increase. The Company received the proceeds from rights issue on March 7, 2022 and the new share capital amount has been reported in the financial statements for the year ended 31 December 2022.

## 24 LOSS PER SHARE

Loss per share for the year has been calculated by dividing the net loss for the year by the weighted average number of issued and outstanding shares at year end.

The basic and diluted loss per share is calculated as follows:

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| Net loss for the year | **(13,300)** | (114,584) |
| Weighted average number of ordinary shares outstanding | **28,535** | 18,887 |
| Basic loss per share (SAR)-Restated-2021 | **(0.47)** | **(6.07)** |

## 25 GENERAL AND ADMINISTRATIVE EXPENSES

| | | SAR'000 | |
|---|---|---|---|
| | | **31 December, 2022** | 31 December, 2021 |
| Employee costs | | **51,531** | 51,933 |
| Marketing | | **4,005** | 10,180 |
| Depreciation and amortization | 12 & 13 | **5,535** | 4,857 |
| Legal and professional fees | | **3,000** | 1,506 |
| Office expenses | | **6,918** | 5,778 |
| Other | | **11,375** | 8,215 |
| | | **82,364** | 82,469 |

## 26 CAPITAL MANAGEMENT

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

The Company manages its capital 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 100 million
• Premium Solvency Margin
• Claims Solvency Margin

The Company is in compliance with all externally imposed capital requirements having solvency margin of 87%.The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SAR 291 million and accumulated losses of SAR 132 million (31 December 2021: paid-up share capital of SAR 141 million and accumulated losses of SAR 116 million.) in the statement of financial position.

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

## 27 RISK MANAGEMENT

### (a) Insurance

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 36% of total reinsurance assets at the reporting date.

## 27 RISK MANAGEMENT-(CONTINUED)

**Insurance-(Continued)**

**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 overall aim is currently to restrict the impact of a single catastrophic event to approximately 15% of shareholders' equity on a gross basis and 3% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

**Concentration of insurance risk**

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

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

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

**Sources of uncertainty in estimation of future claim payments**

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Claims are payable to Policyholders and third parties depending upon the terms of the contract as contained in policy terms and conditions. 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.

## 27 RISK MANAGEMENT-(CONTINUED)

**Insurance-(Continued)**

**Sources of uncertainty in estimation of future claim payments -(Continued)**

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

**Process used to decide on assumptions**

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

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

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

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.

**27 RISK MANAGEMENT-(CONTINUED)**

**Insurance-(Continued)**

**Sensitivity analysis**

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

A hypothetical 2% change in the claim ratio, net of reinsurance, would impact net underwriting income/ (loss) as follows;

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Income/ (loss) from insurance operations** | | |
| Impact of change in claim ratio by - 2% | | |
| Medical | **45,203** | 31,582 |
| Motor | **(29,660)** | (67,594) |
| General Accident | **21,110** | 7,598 |
| Others | **3,336** | 26,932 |
| | **39,989** | (1,482) |

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **Income/ (loss) from insurance operations** | | |
| Impact of change in claim ratio by + 2% | | |
| Medical | **50,703** | 26,820 |
| Motor | **(12,706)** | (81,650) |
| General Accident | **21,734** | 7,114 |
| Others | **3,422** | 26,860 |
| | **63,153** | (20,856) |

**(b) Reinsurance risk**

In order to limit the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsuring its exposures.

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.

## 27 RISK MANAGEMENT-(CONTINUED)

### (b) Reinsurance risk-(Continued)

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors. 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 before approving them for exchange of reinsurance business. As at 31 December 2022 and 2021, there is no significant concentration of reinsurance balances.

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

### (c) 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's Board Investment Committee and 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 and shareholders 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. 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 transactions are principally in Saudi Arabian Riyals. So that the foreign currency risk is not significant.

## 27 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 a change in the income for the year of SAR 2.25 million (2021: SAR 0.91 million).

The commission bearing investments of the Company and their maturities as at December 31, 2022 and 2021 are as follows:

| | Less than 1 Year | More than 1 Year | Total |
|---|---|---|---|
| **Insurance Operations** | | | |
| **2022** | **373,084** | **-** | **373,084** |
| 2021 | 185,412 | - | 185,412 |
| **Shareholders Operations** | | | |
| **2022** | **77,978** | **-** | **77,978** |
| 2021 | - | - | - |

### 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 27.4 million (2021: SAR 28.7 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 hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profit would be as follows:

| | **Fair value change** | **Effect on Company's profit** |
|---|---|---|
| | *SR'000* | *SR'000* |
| 31 December 2022 | **+ / - 10%** | **2,740** |
| 31 December 2021 | + / - 10% | 2,880 |

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2022 and 2021. 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.

## 27 RISK MANAGEMENT-(CONTINUED)

### (d) Credit Risk

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

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

| | SAR'000 | |
|---|---|---|
| | **31 December, 2022** | 31 December, 2021 |
| **ASSETS - INSURANCE OPERATIONS** | | |
| Cash and cash equivalents | **403,273** | 52,973 |
| Premiums and reinsurers' receivable – net | **115,717** | 98,415 |
| Reinsurers' share of outstanding claims | **17,334** | 12,955 |
| Reinsurers' share of claims incurred but not reported | **10,299** | 8,498 |
| Prepayments and other receivables | **66,674** | 57,950 |
| | **613,297** | 230,791 |

| | SAR'000 | |
|---|---|---|
| | **31 Dec, 2022** | 31 Dec, 2021 |
| **Income from insurance operations** | | |
| Cash and cash equivalents | **81,145** | - |
| Available-for-sale investments | **49,319** | 50,721 |
| | **130,464** | 50,721 |

**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 100% (2021: approximately 100%) 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.

## 27 RISK MANAGEMENT-(CONTINUED)

**Credit Risk-(Continued)**

**Credit risk exposure**

| | SAR'000 | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **Investment grade** | | **Non-investment grade** | | **Unrated** | |
| **Investments:** | | | | | | |
| -Available-for-sale | - | - | - | - | - | - |
| Debt instruments | - | - | **20,000** | 20,000 | - | - |
| Equities | **12,507** | 11,508 | - | - | - | - |
| Other | **14,889** | 17,290 | - | - | **1,923** | 1,923 |
| **Premium and reinsurance balances receivable:** | - | - | - | - | - | - |
| Policyholders' and brokers and agents | - | - | - | - | **111,950** | 100,656 |
| Due from a related party | - | - | - | - | - | 1,820 |
| Reinsurance receivables | - | - | - | - | **14,831** | 6,446 |
| **Total** | **27,396** | 28,798 | **20,000** | 20,000 | **128,704** | 110,845 |

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:
• Deposits are expected to be matured within 6 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 6 to 12 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 are settled on a quarterly basis as per terms of reinsurance agreements.
• As per the Regulation, all insurance claims need to be settled within the time limits specified in this regard. Majority of gross outstanding claims are expected to be settled within the time limits set in this regard subject to meeting all the documentation requirements.Property and casualty policies due to the inherent nature are generally settled within 45 days from the date of receipt of loss adjustor report
• The claims payable, accrued expenses and other liabilities are expected to settle within a period of 1-3 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.

## 28 SUPPLEMANTARY INFORMATION

### STATEMENT OF FINANCIAL POSITION

| | SAR '000 | | | | | |
|---|---|---|---|---|---|---|
| | **31 December, 2022** | | | 31 December, 2021 | | |
| | **Insurance operations** | **Shareholders' operations** | **Total** | Insurance operations | Shareholders' operations | Total |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | **403,273** | **81,145** | **484,418** | 52,973 | - | 52,973 |
| Term deposits | **-** | **-** | **-** | 182,367 | - | 182,367 |
| Premiums and reinsurers' receivable, net | **115,717** | **-** | **115,717** | 98,415 | - | 98,415 |
| Reinsurers' share of unearned premiums | **38,335** | **-** | **38,335** | 34,703 | - | 34,703 |
| Reinsurers' share of outstanding claims | **17,334** | **-** | **17,334** | 12,955 | - | 12,955 |
| Reinsurers' share of claims incurred but not reported | **10,299** | **-** | **10,299** | 8,498 | - | 8,498 |
| Deferred policy acquisition costs | **60,463** | **-** | **60,463** | 44,053 | - | 44,053 |
| Due from a related party | **1,985** | **-** | **1,985** | 1,985 | - | 1,985 |
| Due from shareholder's operation | **-** | **-** | **-** | 31,249 | - | 31,249 |
| Property and equipment, net | **4,596** | **-** | **4,596** | 5,411 | - | 5,411 |
| Intangible assets, net | **6,046** | **-** | **6,046** | 5,585 | - | 5,585 |
| Right-of-use asset, net | **3,309** | **-** | **3,309** | 3,229 | - | 3,229 |
| Available-for-sale investments | **-** | **49,319** | **49,319** | - | 50,721 | 50,721 |
| Prepayments and other receivables | **66,674** | **251** | **66,925** | 57,950 | 2,539 | 60,489 |
| Statutory deposit | **-** | **43,650** | **43,650** | - | 30,000 | 30,000 |
| Accrued commission on statutory deposit | **-** | **2,342** | **2,342** | - | 1,871 | 1,871 |
| **TOTAL ASSETS** | **728,031** | **176,707** | **904,738** | 539,373 | 85,131 | 624,504 |
| | | | | | | |
| Policyholders claim payable | **23,782** | **-** | **23,782** | 20,789 | - | 20,789 |
| Accrued and other payables | **34,231** | **141** | **34,372** | 17,430 | 1,525 | 18,955 |
| Reinsurances' balances payable | **23,916** | **-** | **23,916** | 24,749 | - | 24,749 |
| Unearned commission income | **983** | **-** | **983** | 1,261 | - | 1,261 |
| Unearned premiums | **456,741** | **-** | **456,741** | 301,744 | - | 301,744 |
| Premium deficiency reserve | **7,454** | **-** | **7,454** | 35,727 | - | 35,727 |
| Other technical reserve | **2,734** | **-** | **2,734** | 1,798 | - | 1,798 |
| Outstanding claims | **34,884** | **-** | **34,884** | 34,605 | - | 34,605 |
| Claims incurred but not reported | **124,557** | **-** | **124,557** | 80,865 | - | 80,865 |
| Employees' terminal benefits | **13,072** | **-** | **13,072** | 12,968 | - | 12,968 |
| Lease liabilities | **2,122** | **-** | **2,122** | 2,983 | - | 2,983 |
| Due to insurance Operations | **-** | **-** | **-** | - | 31,249 | 31,249 |
| Surplus distribution payable | **5,987** | **-** | **5,987** | 5,991 | - | 5,991 |
| Zakat and income tax | **-** | **9,481** | **9,481** | - | 16,913 | 16,913 |
| Accrued commission on statutory deposit payable to SAMA | **-** | **2,342** | **2,342** | - | 1,871 | 1,871 |
| | **730,463** | **11,964** | **742,427** | 540,910 | 51,558 | 592,468 |
| **EQUITY** | | | | | | |
| Share capital | **-** | **291,000** | **291,000** | - | 141,000 | 141,000 |
| Accumulated losses | **-** | **(132,191)** | **(132,191)** | - | (116,015) | (116,015) |
| Fair value reserve on investments | **-** | **5,934** | **5,934** | - | 8,588 | 8,588 |
| **TOTAL SHAREHOLDER'S EQUITY** | **-** | **164,743** | **164,743** | - | 33,573 | 33,573 |
| Re-measurement reserve of employees' terminal benefits | **(2,432)** | **-** | **(2,432)** | (1,537) | - | (1,537) |
| **TOTAL EQUITY** | **(2,432)** | **164,743** | **162,311** | (1,537) | 33,573 | 32,036 |
| **TOTAL LIABILITIES AND EQUITY** | **728,031** | **176,707** | **904,738** | 539,373 | 85,131 | 624,504 |

## 28 SUPPLEMANTARY INFORMATION (CONTINUED)

### STATEMENT OF INCOME

| | SAR '000 | | | | | |
|---|---|---|---|---|---|---|
| | For the year ended 31 December 2022 | | | | | |
| | 31 December, 2022 | | | 31 December, 2021 | | |
| | **Insurance operations** | **Shareholders' operations** | **Total** | Insurance operations | Shareholders' operations | Total |
| **REVENUES** | | | | | | |
| Gross written Premuim | **830,694** | **-** | **830,694** | 592,588 | - | 592,588 |
| Reinsurance premiums ceded | | | | | | |
| -Local | **(1,288)** | **-** | **(1,288)** | (1,728) | - | (1,728) |
| -Foreign-Direct | **(94,762)** | **-** | **(94,762)** | (71,636) | - | (71,636) |
| -Foreign-Through local reinsurance broker | **(676)** | **-** | **(676)** | (828) | - | (828) |
| | **(96,726)** | **-** | **(96,726)** | (74,192) | - | (74,192) |
| Excess of loss expenses | | | | | | |
| -Local | **(1,406)** | **-** | **(1,406)** | (1,736) | - | (1,736) |
| -Foreign-Direct | **(2,108)** | **-** | **(2,108)** | (2,603) | | (2,603) |
| | **(3,514)** | **-** | **(3,514)** | (4,339) | - | (4,339) |
| Net written premiums | **730,454** | **-** | **730,454** | 514,057 | - | 514,057 |
| Changes in unearned premiums, net | **(151,365)** | **-** | **(151,365)** | (29,965) | - | (29,965) |
| **Net premiums earned** | **579,089** | **-** | **579,089** | 484,092 | - | 484,092 |
| Re-insurance commissions earned | **3,928** | **-** | **3,928** | 4,698 | - | 4,698 |
| Other underwriting income | **15,764** | **-** | **15,764** | 285 | - | 285 |
| **TOTAL REVENUES** | **598,781** | **-** | **598,781** | 489,075 | - | 489,075 |
| **UNDERWRITING COSTS AND EXPENSES** | | | | | | |
| Gross claims paid | **495,929** | **-** | **495,929** | 430,130 | - | 430,130 |
| Reinsurers' share of claims paid | **(53,440)** | **-** | **(53,440)** | (37,488) | - | (37,488) |
| **Net claims paid** | **442,489** | **-** | **442,489** | 392,642 | - | 392,642 |
| Changes in outstanding claims, net | **(4,100)** | **-** | **(4,100)** | 7,464 | - | 7,464 |
| Changes in claims incurred but not reported, net | **41,891** | **-** | **41,891** | 11,744 | - | 11,744 |
| **Net claims incurred** | **480,280** | **-** | **480,280** | 411,850 | - | 411,850 |
| Change in other technical reservses | **936** | **-** | **936** | (684) | - | (684) |
| Change in premium deficiency reserve | **(28,273)** | **-** | **(28,273)** | 26,211 | - | 26,211 |
| Policy acquisition costs | **90,388** | **-** | **90,388** | 75,100 | - | 75,100 |
| Other underwriting expenses | **3,879** | **-** | **3,879** | 422 | - | 422 |
| **TOTAL UNDERWRITING COSTS AND EXPENSES** | **547,210** | **-** | **547,210** | 512,899 | - | 512,899 |
| **NET UNDERWRITING (LOSS) / INCOME** | **51,571** | **-** | **51,571** | (23,824) | - | (23,824) |
| **OTHER OPERATING (EXPENSES) / INCOME** | | | | | | |
| Allowance for doubtful debts | **(557)** | **-** | **(557)** | (1,784) | - | (1,784) |
| General and administrative expenses/(income) | **(82,527)** | **163** | **(82,364)** | (80,065) | (2,404) | (82,469) |
| Commission income on deposits | **6,227** | **2,383** | **8,610** | 1,539 | 402 | 1,941 |
| Investment income | **-** | **2,013** | **2,013** | - | 2,004 | 2,004 |
| Other expenses/ (income) | **(5)** | **-** | **(5)** | 124 | - | 124 |
| **TOTAL OTHER OPERATING (EXPENSES) / INCOME** | **(76,862)** | **4,559** | **(72,303)** | (80,186) | 2 | (80,184) |
| **TOTAL LOSS FOR THE YEAR BEFORE ZAKAT AND INCOME TAX AND SURPLUS DISTRIBUTION** | **(25,291)** | **4,559** | **(20,732)** | (104,010) | 2 | (104,008) |
| Zakat reversed /(charge) for the year | **-** | **7,432** | **7,432** | - | (10,576) | (10,576) |
| **(LOSS) / INCOME FOR THE YEAR** | **(25,291)** | **11,991** | **(13,300)** | (104,010) | (10,574) | (114,584) |

## 28 SUPPLEMANTARY INFORMATION (CONTINUED)

### STATEMENT OF INCOME

| | SAR '000 For the year ended 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **31 December, 2022** | | | 31 December, 2021 | | |
| | **Insurance operations** | **Shareholders' operations** | **Total** | Insurance operations | Shareholders' operations | Total |
| (Deficit)/ Surplus transferred to Shareholders | **25,291** | **(25,291)** | - | 104,010 | (104,010) | - |
| Net result after transfer of surplus to shareholders | | | | | | |
| Loss for the year | **-** | **(13,300)** | **(13,300)** | - | (114,584) | (114,584) |
| Net result after transfer of surplus to shareholders | - | **(13,300)** | **(13,300)** | - | (114,584) | (114,584) |
| **Weighted average number of shares** | **28,535** | **28,535** | **28,535** | **18,887** | **18,887** | **18,887** |
| **LOSS PER SHARE (EXPRESSED IN SAR PER SHARE)-restated 2022** | **-** | **(0.47)** | **(0.47)** | **-** | **(6.07)** | **(6.07)** |
| **OTHER COMPREHENSIVE INCOME / (LOSS)** | | | | | | |
| **ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS** | | | | | | |
| - Actuarial losses on employees' terminal benefits | **(895)** | **-** | **(895)** | (473) | **-** | (473) |
| **ITEMS THAT ARE OR MAY BE RECLASSIFIED TO STATEMENTS OF INCOME IN SUBSEQUENT PERIOD** | | | | | | |
| Available-for-sale investments: | | | | | | |
| -Net change in fair value | | **(2,654)** | **(2,654)** | | 1,462 | 1,462 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(895)** | **(15,954)** | **(16,849)** | (473) | (113,122) | (113,595) |

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## 28 SUPPLEMANTARY INFORMATION (CONTINUED)

### STATEMENT OF CASH FLOWS

| | SAR '000 | | | | | |
|---|---|---|---|---|---|---|
| | **Insurance operations** | **Shareholders' operations** | **Total** | Insurance operations | Shareholders' operations | Total |
| | **For the year ended 31 December, 2022** | | | For the year ended 31 December, 2021 | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Net loss for the year before zakat and income tax | **-** | **(20,732)** | **(20,732)** | - | (104,008) | (104,008) |
| Adjustments for non-cash items: | | | | | | |
| Depreciation of property and equipment | **1,554** | **-** | **1,554** | 1,783 | - | 1,783 |
| Depreciation on right of use assets | **2,667** | **-** | **2,667** | 2,011 | - | 2,011 |
| Finance cost of lease liability | **119** | **-** | **119** | 143 | - | 143 |
| Amortization of intangible assets | **1,308** | **-** | **1,308** | 1,039 | - | 1,039 |
| Employees' terminal benefits | **2,111** | **-** | **2,111** | 2,184 | - | 2,184 |
| Allowance for doubtful debts | **557** | **-** | **557** | 1,784 | - | 1,784 |
| | **8,316** | **(20,732)** | **(12,416)** | 8,944 | (104,008) | (95,064) |
| **Changes in operating assets and liabilities:** | | | | | | |
| Premiums and reinsurers' receivable | **(17,859)** | **-** | **(17,859)** | (1,561) | - | (1,561) |
| Reinsurers' share of unearned premiums | **(3,632)** | **-** | **(3,632)** | (7,310) | - | (7,310) |
| Reinsurers' share of outstanding claims | **(4,379)** | **-** | **(4,379)** | (1,047) | - | (1,047) |
| Reinsurers' share of claims Incurred but not reported | **(1,801)** | **-** | **(1,801)** | (478) | - | (478) |
| Deferred policy acquisition costs | **(16,410)** | **-** | **(16,410)** | (12,394) | - | (12,394) |
| Due from shareholder's operation | **31,249** | **-** | **31,249** | - | - | - |
| Prepayments and other receivables | **(8,723)** | **2,288** | **(6,435)** | 3,031 | (877) | 2,154 |
| Policyholders claim payables | **2,993** | **-** | **2,993** | 10,647 | - | 10,647 |
| Accrued and other payables | **16,801** | **(1,384)** | **15,417** | (37,101) | 31,952 | (5,149) |
| Reinsurers' balances payable | **(833)** | **-** | **(833)** | 8,088 | - | 8,088 |
| Unearned commission income | **(278)** | **-** | **(278)** | (165) | - | (165) |
| Unearned premiums | **154,997** | **-** | **154,997** | 37,275 | - | 37,275 |
| Premium deficiency reserve | **(28,273)** | **-** | **(28,273)** | 26,211 | - | 26,211 |
| Other technical reserves | **936** | **-** | **936** | (684) | - | (684) |
| Outstanding claims | **279** | **-** | **279** | 8,511 | - | 8,511 |
| Claims incurred but not reported | **43,692** | **-** | **43,692** | 12,222 | - | 12,222 |
| Due to insurance operations | **-** | **(31,249)** | **(31,249)** | | - | - |
| | **177,075** | **(51,077)** | **125,998** | 54,189 | (72,933) | (18,744) |
| Employees' terminal benefits paid | **(2,902)** | **-** | **(2,902)** | (3,695) | - | (3,695) |
| Surplus paid to policyholder | **(4)** | **-** | **(4)** | (418) | - | (418) |
| Zakat and income tax paid | **-** | **-** | **-** | - | (2,318) | (2,318) |
| **Net cash generated from / (used in) operating activities** | **174,169** | **(51,077)** | **123,092** | 50,076 | (75,251) | (25,175) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Purchase of property and equipment | **(740)** | **-** | **(740)** | (1,880) | - | (1,880) |
| Purchase of Intangible assets | **(1,769)** | **-** | **(1,769)** | (1,873) | - | (1,873) |
| Maturity / (placement) of term deposits | **182,367** | **-** | **182,367** | (63,036) | - | (63,036) |
| Acquisitions of available-for-sale investment | **-** | **(1,252)** | **(1,252)** | - | - | - |
| Increase in statutory deposit. | **-** | **(13,650)** | **(13,650)** | - | - | - |
| **Net cash generated from / (used in) investing activities** | **179,858** | **(14,902)** | **164,956** | (66,789) | - | (66,789) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Issuance of share capital | **-** | **150,000** | **150,000** | - | - | - |
| Payment for issuing right shares expenses | | **(2,876)** | **(2,876)** | | | |
| Payment of lease liability | **(3,727)** | **-** | **(3,727)** | (2,134) | - | (2,134) |
| **Net cash generated from financing activities** | **(3,727)** | **147,124** | **143,397** | (2,134) | - | (2,134) |
| Net change in cash and cash equivalents | **350,300** | **81,145** | **431,445** | (16,713) | (75,251) | (91,964) |
| Cash and cash equivalents, beginning of the period | **52,973** | **-** | **52,973** | 69,686 | 75,251 | 144,937 |
| **Cash and cash equivalents, end of the period** | **403,273** | **81,145** | **484,418** | 52,973 | - | 52,973 |

## 29 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation (if applicable).

## 30 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 15 March 2023 (corresponding to Sha'ban 23, 1444 AH).