AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Amana Cooperative Insurance Company
(A SAUDI JOINT STOCK COMPANY)

Opinion
We have audited the financial statements of Amana Cooperative Insurance Company (a Saudi Joint Stock Company) (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 shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements which includes a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, and other 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 as 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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia and 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.
Material Uncertainty Related to Going Concern
We draw attention to Note 2 of the audited financial statements which indicates that for the year ended December 31, 2022 the company has posted a net comprehensive loss of SAR 50.30 million (2021: comprehensive loss SAR 117.74 million), the Company's accumulated losses as at December 31, 2022 are 48.92% (December 2021: 120.94%) of the Company's share capital, and as of the same date, the Company's solvency reached 105.66% (31 December 2021: 48.08%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. In this respect the management has prepared three years forecast which exhibits net profits from year 2024. Accordingly, these financial statements have been prepared on going concern assumption. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

MOORE
El Sayed El Ayouty & Co.

AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Amana Cooperative Insurance Company
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at 31 December 2022, claims incurred but not reported (IBNR) and outstanding claims amounted to SR 46.210 million (2021: SR 58.250 million) SR 24.357 million (2021: 21.401 SR million) and, respectively, as reported in note 7a to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgments could result in material over / understatement of the Company's profitability. The Company's policies for claims related estimates and judgments and accounting policies are disclosed in notes 2 and 3 to the financial statements. Liabilities for outstanding claims including IBNR, claims incurred and claims development table have been disclosed in notes 19 to the financial statements. The Company's approach to claim related risk management has been disclosed in note 22 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been given in note 20 to the financial statements.	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the Company. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuaries to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the Company's actuarial report, our actuaries performed the following: - evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; - assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and - reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. - evaluated the adequacy and appropriateness of the related disclosures in the financial statements.

MOORE
Al-Sayed El-Ayouty & Co.

AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Amana Cooperative Insurance Company
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Other Information
The Board of Directors of the Company is responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our 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 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 International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("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 are responsible for overseeing the Company's financial reporting process.

MOORE
El Sayed El Ayouty & Co.

AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Amana Cooperative Insurance Company
(A SAUDI JOINT STOCK COMPANY)

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Amana Cooperative Insurance Company
(A SAUDI JOINT STOCK COMPANY)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

Moore EL Sayed El Ayouty & co
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28-March-2023
6- Ramdan-1444 H

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محاسبون و مراجعون قانونيون
س ت C.R.: 1010327044
Certified Accountants & Auditors
AL-Kharashi Co.

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 SAR' 000	2021 SAR' 000
ASSETS			
Cash and cash equivalents	4	153,762	47,040
Short Term deposit	5	-	10,000
Premiums and reinsurers' receivable - net	6	70,316	87,543
Reinsurers' share of unearned premiums	7b	1,436	1,433
Reinsurers' share of outstanding claims	7a	1,688	1,267
Reinsurers' share of claims incurred but not reported	7a	744	1,205
Deferred policy acquisition costs	7d	13,376	12,606
Available-for-sale investments	8	106,243	15,182
Held-to-maturity investments	8	12,530	44,198
Prepayments and other assets	10	35,151	14,812
Property and equipment	9	6,391	6,085
Intangible assets	9	667	575
Statutory deposit	11	64,500	19,500
Accrued commission income on statutory deposit	11	3,787	2,989
TOTAL ASSETS		470,591	264,435
LIABILITIES			
Policyholders claims payable		3,582	3,488
Accrued expenses and other liabilities	12	42,280	42,013
Reinsurance balances payable		9,212	8,176
Unearned premiums	7b	95,240	113,295
Unearned reinsurance commission	7c	214	242
Outstanding claims	7a	24,357	21,401
Claims incurred but not reported	7a	46,210	58,250
Premiums deficiency reserve		14,318	27,167
Other technical reserve		1,228	3,818
Employees' end-of-service benefits	13	5,022	5,342
Surplus distribution payable		410	779
Provision for zakat and income tax	14b	7,009	3,559
Accrued commission income payable to SAMA	11	3,787	2,989
TOTAL LIABILITIES		252,869	290,519
EQUITY			
Share capital	15	430,000	130,000
Accumulated losses		(210,368)	(157,227)
Actuarial reserve on end-of-service benefits		(2,950)	(1,451)
Fair value reserve for available-for-sale investments		1,040	2,594
TOTAL EQUITY		217,722	(26,084)
TOTAL LIABILITIES AND EQUITY		470,591	264,435
Commitments and contingencies	24		

The accompanying notes 1 to 28 form an integral part of these financial statements.

Chief Finance Officer | **Board Member** | **Managing Director**

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR' 000	2021 SAR' 000
REVENUES			
Gross premiums written	7b	230,515	275,487
Reinsurance premiums ceded	7b	(3,580)	(4,630)
Excess of loss expenses	7b	(24,280)	(51,187)
Net premiums written		202,655	219,670
Changes in unearned premiums		18,053	27,805
Changes in reinsurers' share of unearned premiums		3	(623)
Net premiums earned		220,711	246,852
Reinsurance commissions	7c	628	1,090
Other underwriting income		17,715	190
NET REVENUES		239,054	248,132
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7a	(219,339)	(314,929)
Reinsurers' share of claims paid	7a	12,099	53,778
Net claims paid	7a	(207,240)	(261,151)
Changes in outstanding claims		5,489	14,260
Changes in reinsurers' share of outstanding claims		420	(10,496)
Changes in claims incurred but not reported		3,587	(102)
Changes in reinsurers' share of claims incurred but not reported		(452)	(1,496)
Net claims incurred	7a	(198,196)	(258,985)
Changes in premiums deficiency reserve		12,849	(11,455)
Changes in other technical reserves		2,589	977
Policy acquisition costs	7d	(29,885)	(28,357)
Inspection and supervision fees		(8,820)	(11,977)
TOTAL UNDERWRITING COSTS AND EXPENSES		(221,463)	(309,797)
NET UNDERWRITING INCOME		17,591	(61,565)
OTHER INCOME/(EXPENSES)			
Provision for doubtful debts	6	(8,874)	(5,503)
General and administrative expenses	17	(57,263)	(59,891)
Dividends and investment income		1,823	5,198
Realized gain from sale of available for sale investments		2,928	455
TOTAL OTHER EXPENSES, NET		(61,386)	(59,741)
Total loss for the year before zakat		(43,795)	(121,406)
Surplus attributable to the insurance operations		-	-
Total loss for the year attributable to the shareholders before zakat and income tax		(43,795)	(121,406)
Zakat and income tax	14b	(3,450)	2,270
Total loss for the year attributable to the shareholders after zakat and income tax		(47,245)	(119,136)
Loss per share - basic and diluted (SAR)	16	(1.67)	(9.16)

The accompanying notes 1 to 28 form an integral part of these financial statements

Chief Finance Officer | Board Member | Managing Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR' 000	2021 SAR' 000
Total loss for the year after zakat and income tax		(47,245)	(119,136)
Other comprehensive income/(loss):			
Items that may be reclassified to statements of income in subsequent years			
- Change in fair value of available for sale investments	8	560	1,564
- Transferred from fair value reserve to income for the year	8	(2,114)	(455)
		(1,554)	1,109
Total comprehensive loss for the year after zakat and income tax		(48,799)	(118,027)
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial (loss) / gain on end-of-service benefit	13	(1,499)	292
Total comprehensive (loss) / gain attributable to the insurance operations		(1,499)	292
Total comprehensive loss attributable to the shareholders after zakat and income tax		(50,298)	(117,735)

The accompanying notes 1 to 28 form an integral part of these financial statements.

Chief Finance Officer | **Board Member** | **Managing Director**

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR' 000				
		Share capital	Accumulated losses	Actuarial reserve on end-of-service benefits	Fair value reserve for available-for-sale investment	Total equity
Balance at the beginning of the year		130,000	(157,227)	(1,451)	2,594	(26,084)
Comprehensive loss for the year:						
Change in fair value of available for sale investments	8	-	-	-	560	560
Transferred from fair value reserve to the income for the year	8	-	-	-	(2,114)	(2,114)
Actuarial gain on end-of-service benefit	13	-	-	(1,499)	-	(1,499)
Total loss for the year attributable to the shareholders		-	(47,245)	-	-	(47,245)
Total comprehensive loss for the year		-	(47,245)	(1,499)	(1,554)	(50,298)
Increase in Share Capital	15	300,000	-	-	-	300,000
Transaction cost for increase in Share Capital		-	(5,896)	-	-	(5,896)
Balance at the end of the year		430,000	(210,368)	(2,950)	1,040	217,722

The accompanying notes 1 to 28 form an integral part of these financial statements.

Chief Finance Officer

Board Member

Managing Director

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2021 SAR' 000				
		Share capital	Accumulated losses	Actuarial reserve on end-of-service benefits	Fair value reserve for available-for-sale investment	Total equity
Balance at the beginning of the year		240,000	(147,503)	(1,743)	1,485	92,239
Comprehensive loss for the year:						
Change in fair value of available for sale investments	8	-	-	-	1,564	1,564
Transferred from fair value reserve to the income for the year	8	-	-	-	(455)	(455)
Actuarial loss on end-of-service benefit	13	-	-	292	-	292
Total loss for the year attributable to the shareholders		-	(119,136)	-	-	(119,136)
Total comprehensive loss for the year		-	(119,136)	292	1,109	(117,735)
Capital Reduction	15	(110,000)	110,000	-	-	-
Transaction cost for Capital Reduction		-	(588)	-	-	(588)
Balance at the end of the year		130,000	(157,227)	(1,451)	2,594	(26,084)

The accompanying notes 1 to 28 form an integral part of these financial statements

Chief Finance Officer

Board Member

Managing Director

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR' 000	2021 SAR' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat and income tax		(43,795)	(121,406)
Adjustments for non-cash items:			
Depreciation and amortization	9	1,937	1,920
Provision for doubtful debts	6	8,874	5,503
Realized gain on sale of available-for-sale investments		(2,928)	(455)
Amortization of held-to-maturity investments	8	(127)	(403)
Provision for employees' end-of-service benefits	13	1,717	1,574
		9,473	8,139
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		8,352	36,161
Reinsurers' share of unearned premiums		(3)	623
Reinsurers' share of outstanding claims		(421)	10,496
Reinsurers' share of claims incurred but not reported		461	1,496
Deferred policy acquisition costs		(770)	(1,596)
Prepaid expenses and other assets		(20,339)	6,699
Policyholders claims payable		94	2,204
Accrued expenses and other liabilities		267	(31,068)
Reinsurers' balances payable		1,036	(14,374)
Unearned premiums		(18,055)	(27,805)
Unearned reinsurance commission		(28)	(214)
Outstanding claims		2,956	(14,260)
Claims incurred but not reported		(12,040)	102
Premium deficiency reserve		(12,849)	11,455
Other technical reserves		(2,590)	(977)
Surplus distribution payable		(369)	-
		(88,620)	(134,325)
Employees' end-of-service benefits paid	13	(3,536)	(486)
Zakat and income tax paid	14b	-	(844)
Net cash used in operating activities		(92,156)	(135,655)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of short-term deposit		10,000	30,000
Proceeds from held to maturity investments	8	31,795	5,250
Proceeds from sale of available for sale investments		12,476	2,042
Additions to available for sale investments	8	(102,163)	(2,788)
Purchase of property, equipment and intangibles	9	(2,334)	(1,704)
Net cash generated from investing activities		(50,226)	32,800
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal from statutory deposit		-	16,500
Issue of right shares		300,000	-
Change in statutory deposit	11	(45,000)	-
Transaction cost for capital reduction		(5,896)	(588)
Net cash generated from financing activities		249,104	15,912
Net change in cash and cash equivalents		106,722	(86,943)
Cash and cash equivalents at the beginning of the year	4	47,040	133,983
Cash and cash equivalents at the end of the year	4	153,762	47,040
Non-cash information:			
Transfer from capital work in progress to property, equipment and intangibles	9	-	147
Changes in fair values of available-for-sale investments, net		560	1,564

The accompanying notes 1 to 28 form an integral part of these financial statements.

Chief Finance Officer

Board Member

Managing Director

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Amana Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/35 dated Jumada Al-Akher 3, 1431 H (corresponding to May 17, 2010), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010288711 dated Jumada Al-Akher 10, 1431 H (corresponding to May 24, 2010). The Company's head office is at Salah-uddin Al-Ayubi Street P.O. Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The objective of the Company is to engage in providing insurance services in accordance with its By-laws and the applicable regulations in the Kingdom of Saudi Arabia.

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

The Company's by-laws were updated to comply with the new companies' regulations, issued by Royal Decree Number M/3 on 28/01/1437 H and this is as per the extraordinary general assembly meeting on 23/09/1438 H, corresponding June 18, 2017.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in Kingdom of Saudi Arabia ("KSA") by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), other standards and pronouncements issued by SOCPA, regulations for Companies and Company's by-Laws.

In accordance with Article 70 of the SAMA Implementing Regulations, and as per the by-laws of the Company, the Company maintains separate accounts for both insurance operations and shareholders' operations. It distributes the net annual insurance surplus, it and when generated, as set forth in the Company's by-laws and the insurance policy in terms of cooperative insurance. The customer (insurance policy) is valid and paid to date at the time of payment of the cooperative distribution amount.

The financial statements are prepared under the going concern concept (also, refer 'Going Concern' Note below) and the historical cost convention, except for the measurement at fair value of available-for-sale investments and measurement at present value of employees' end-of-service benefit obligations. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Held-to-maturity investments, Available-for-sale investments, Property and equipment, Intangible assets, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

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

2 BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation and measurement (continued)

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

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

Going concern

The Company posted a net comprehensive loss of SAR 50.30 million for the year ended December 31, 2022 (2021: net comprehensive loss of SAR 117.74 million), further as on December 31, 2022 the accumulated losses are 48.92% (December 2021: 120.94%) of the Company's share capital, and as of the same date the Company's solvency margin reached 105.66% (31 December 2021: 48.08%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. Management has in respect of this matter prepared a three years forecast which exhibits net profits from year 2024 onwards. Accordingly these financial statements have been prepared on going concern assumption.

(b) Functional and presentation currency

The financial statements have been prepared in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in SAR has been rounded off to the nearest thousand, unless otherwise stated.

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) 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.

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:

The ultimate liability arising from claims made under insurance contracts

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

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of 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 actuary to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2 BASIS OF PREPARATION (CONTINUED)

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

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 original cost is considered significant as per the Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment of receivables

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

Fair value of financial instruments

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

The fair 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

Useful lives of property and equipment and intangible assets

The Company's management determines the estimated useful lives 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 values, useful lives and depreciation method annually. Future depreciation/amortization charge, if any shall be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

Premium deficiency reserve and other technical reserves

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future. Other technical reserves represent unallocated loss adjustment expense reserves and reinsurance accrual reserves. Unallocated loss adjustment expense reserve are based on estimates of future payments and derived from the claim department expenses, including payroll and allocation of other expenses.

Provision for zakat

Zakat provision is made and recorded at the end of each fiscal year in accordance with Zakat, Tax and Customs Authority (ZATCA) regulations applicable in the Kingdom of Saudi Arabia. Differences in zakat assessments are recorded in the statement of income when final zakat assessments are obtained.

Employees' end-of-service benefits

The retirement benefit obligation is determined using projected unit credit method which requires estimates to be made of the various inputs. The key estimates are the discount rate, rate of salary, mortality rate and withdrawal rate.

Deferred Tax

Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the years ended 31 December 2022 and 2021 since the Company is not certain on availability of future taxable profit in foreseeable future to utilize any tax credits.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented. There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 but they do not have a material effect on the Company's Financial Statements. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.

Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

Standard/	Description	Effective from
IFRS 17	Insurance Contracts (refer below)	1-Jan-23
IFRS 9	Financial Instruments (refer below)	1-Jan-23

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

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 financial statements in the period of initial application.

3.1 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").

3.1.1 Insurance, reinsurance and investment contracts -

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts. an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows(unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised. The company has not identified any insurance contract with precoverage cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 IFRS 17 Insurance Contracts

3.1.2 Transition

At 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts in the Property and Casualty, Motor and Medical segments on transition to IFRS 17.

Full retrospective approach

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach for Property & Casual, Motor and Medical. Under the full retrospective approach, at1 January 2022 the Company:

a. identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
b. identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
c. derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts;

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the financial statements at 1 January 2020 are presented in the statement of changes in equity.

Modified retrospective approach

The Company considered the full retrospective approach under any of the following circumstances.

a. The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:

   • expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;

   • information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;

   • information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and

   • information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

b. The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:

   • expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;

   • assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2022; and

   • assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2022.

Significant

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.
The Company does not accept insurance risk from other insurers.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 IFRS 17 Insurance Contracts (Continued)

3.1.2 Transition (Continued)

Insurance Contracts with Direct Participation Feature

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the PAA & GMM.

Transition Impact

a) Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a decrease in the Company's total equity by a range of SR 7.80 million to SR 13.39 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on Jan 1, 2022
Changes in measurement of insurance contract liabilities	Decrease by SR 7.85 million to SR 13.51 million
Changes in measurement of reinsurance	Increase by SR 0.05 million to SR 0.12 million
Total Impact	**Decrease by SR 7.80 million to SR 13.39 million**

b) Impact on Insurance

Drivers of Changes	Impact on liabilities on transition to IFRS 17 on Jan 1, 2022
Risk Adjustment	Increase by SR 3.88 million to SR 6.94 million
Loss Component	Increase by SR 9.49 million to SR 12.09 million
Additional Deferred Acquisition Costs	Decrease by SR 5.52 million
Total Impact	**Increase by SR 7.85 million to SR 13.51 million**

c) Impact on Reinsurance

Drivers of Changes	Impact on assets on transition to IFRS 17 on Jan 1, 2022
Reinsurance Risk Adjustment	Increase by SR 0.07 million to SR 0.14 million
Reinsurance Default Provision	Decrease by SR 0.024 million
Total Impact	**Increase by SR 0.05 million to SR 0.12 million**

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM).

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cashflows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income and expenses are not disaggregated between profit or loss and OCI except for certain contracts, are presented separately from insurance revenue and insurance service expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.1 IFRS 17 Insurance Contracts (Continued)

3.1.3 Recognition, measurement and presentation of insurance contracts

The Company applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised. The company has not identified any insurance contract with precoverage cash flows

Income and expenses from reinsurance contracts i.e. , amounts recovered from reinsurers and reinsurance expenses are presented separately on the Statement of Comprehensive Income.

3.2 Insurance and reinsurance contracts
3.2.1 Separating components from insurance and reinsurance contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments :

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

A good or service is distinct if the policy holder can benefit from it either on its own or with other resources that are readily available to the policy holder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

3.2.2 Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.2 Aggregation and recognition of insurance and reinsurance contracts (Continued)

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts
Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations. considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognised on the following date.

- Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date . This applies to the Company's excess of loss contracts.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group and to the groups that will include renewals of those contracts. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Company expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method. For the purpose of these special purpose financial statement no such acquisition costs were identified.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

3.2.3 Insurance acquisition cash flows

Recoverability assessment
At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.4 Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services). A substantive obligation to provide services ends when: - the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or - the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer: - has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or - has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

3.2.5 Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.5 Fulfilment cash flows (Continued)

Estimates of future cash flows

In estimating future cash flows, the company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary
- costs that the company will incur in providing investment services
- costs that the company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs
- and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Acquisitions costs, claims handling costs and other attributable expenses are allocated on a group of contract level based on gross premium ratio.

3.2.6 Onerous Groups of Contracts

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

Life risk, life savings and participating contracts

Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type at local entity level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts .

Policyholder behaviour is a key assumption in the measurement of life savings and participating insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience.

To determine how to identify changes in discretionary cash flows for these contracts, the company generally regards its commitment to be the return implicit in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.6 Onerous Groups of Contracts (Continued)

Non-life contracts

The company estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter-Ferguson methods. These techniques assume that the company's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

3.2.7 Discount Rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The company generally determines the risk-free rates using Saudi Arabia Government Bonds . The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

3.2.8 Risk Adjustment for Non-Financial Risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using the following techniques:

- non-life contracts: a confidence level technique;
- life and participating contracts outside Europe: a confidence level technique; and
- life and participating contracts in Europe: a cost of capital technique.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

3.2.9 Investment Components

The company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.10 Measurement - Contracts not measured under the PAA

Insurance contracts - Initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of:

a. the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
b. the Contractual Service Margin (CSM).

The fulfilment cash flows of a group of insurance contracts do not reflect the Company's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

Insurance contracts - Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

The liability for remaining coverage comprises:

a. the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
b. any remaining CSM at that date.

The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows are recognised as follows:

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss i
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows:

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component ; or

any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;

- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.10 Measurement - Contracts not measured under the PAA (Continued)

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- changes in the risk adjustment for non-financial risk that relate to future services.

Direct participating contracts

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
- the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cashflows;
- a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
- an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses); and
- the amount recognised as insurance revenue because of the services provided in the year

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

Reinsurance contracts

To measure a group of reinsurance contracts, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises of the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cashflows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.11 Measurement - Contracts measured under the PAA

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of following:

a) The fulfilment cash flows,
b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group,
c) any cash flows arising at that date and
d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date (see 'Reinsurance of onerous underlying insurance contracts' below).

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.

The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.

Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of
- the amount recognised in profit or loss because of the services received in the year.
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- effect of currency exchange difference on the CSM

Reinsurance of onerous underlying insurance contracts
The Company adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that
- the percentage of claims on the underlying contracts that the Company expects to recover from there insurance contracts.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

3.2.11 Measurement - Contracts measured under the PAA

In Property & Casualty, Motor and Medical segment, the Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception:

- Insurance contracts: The coverage period of each contract in the group is one year or less. Some of these contracts provide compensation for the cost of rebuilding or repairing a property after a fire; for these contracts, the Company determines the insured event to be the occurrence of a fire and the coverage period to be the period in which a fire can occur for which a policyholder can make a valid claim.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.11 Measurement - Contracts measured under the PAA (Continued)

Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies in these special purpose financial statement. When comparing the different possible measurements, the Group considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

However, certain groups of insurance contracts are acquired in their claims settlement period. The claims from some of these groups are expected to develop over more than one year. The Company measures these groups under the accounting policies in these special purpose financial statement.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium is more than a year in certain cases. The Company has determined the impact of adjusting the liability for remaining coverage to reflect the time value of money and the effect of financial risk is immaterial.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted .

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

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

3.2.12 Derecognition and contract modification

The Company derecognises a contract when it is extinguished - i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case anew contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.12 Derecognition and contract modification (Continued)

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

3.2.13 Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cashflows under (iii)) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss and OCI into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a Gross basis.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance Revenue

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

Insurance revenue - Contracts not measured under the PAA

The Company recognises insurance revenue as it satisfies its performance obligations - i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided .
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, including experience adjustments for premium receipts for current or past services for the life risk segment and amounts related to incurred policyholder tax expenses for the participating segment.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.13 Presentation (Continued)

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- the Company expects to perform investment activities to generate that investment return. The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Insurance revenue - Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the basis of passage of time.

Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to the loss component and the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items:

- Incurred claims and Other insurance service expenses: for some life risk contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Income / expenses from reinsurance contracts

The Company presents separately on the face of the statement of profit or loss and other comprehensive, income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance and reinsurance contracts (Continued)

3.2.13 Presentation (Continued)

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.
- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its certain contracts between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimize accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income and expenses on the Company's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

Investment management service contracts

Recurring fees are calculated and recognised as revenue on a daily basis. Non-refundable up-front fees give rise to material rights for future investment management services and are recognised as revenue over the period for which a customer is expected to continue receiving investment management services.

Incremental contract costs

Commissions and fees paid to brokers for securing new customers are generally recognised as assets ('contract costs'), unless the Group does not expect to recover these costs. Contract costs are amortised over the estimated duration of the contracts on a straight-line basis and are reviewed for impairment regularly. They are included in 'other assets' in the statement of financial position and the amortisation and any impairment losses thereon are included in 'other operating expenses' in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IFRS 9 Financial Instruments

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

Critical accounting judgments, estimates and assumptions

i) Measurement of expected credit loss allowance on financial assets accounted for under IFRS 9

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, other than contributions, is an area that requires the use of complex models and significant assumptions about future economic conditions.

Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss (ECL) is further detailed in note 16, which also sets out key sensitivities of the ECL to changes in these elements.

Number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ii) Impairment of contributions balance receivable accounted for under IFRS 9

Insurance contracts are accounted for under IFRS-17 and excluded from the scope of IFRS-9. However the company has developed impairment methodology for Contribution on balance receivable/ recoverable based on the methodology as provided by IFRS 9 (Simplified Approach) .

iii) Fair value of financial instruments

Fair values of investments designated as FVOCI 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

3.3.1 Financial assets and liabilities

Measurement methods

Effective profit rate
The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Profit income
Profit income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, profit income is recognised by applying the effective profit rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

Initial recognition and measurement
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IFRS 9 Financial Instruments (Continued)

3.3.1 Financial assets and liabilities (Continued)

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

3.3.2 Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

a. Fair value through statement of income (FVSI);
b. Fair value through other comprehensive income (FVOCI); or
c. Held at amortised cost.

Investment in the mutual funds are classified as FVSI.
Investment in shares are designated as FVOCI.

Cash and cash equivalents, Murabaha Deposit and Sukuks and Statutory Deposit are classified as held at amortized cost.

There is no debt instrument which has been classified as FVOCI or FVSI by the Company.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes). then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVSI.

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement. the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 16. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IFRS 9 Financial Instruments (Continued)

3.3.2 Classification and subsequent measurement of financial assets (Continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method. Currently the company has not measured any debt instrument as FVOCI
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises. Currently Mutual funds fail SPPI assessment according these are classified as FVSI

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

Gains and losses on equity investments at FVSI (both realized and unrealized) are included in the 'Net gains on investments mandatorily measured at FVSI' line in the statement of income.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company assesses, at each reporting date, whether there is objective evidence that Contributions are impaired. 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 for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 IFRS 9 Financial Instruments (Continued)

3.3.2 Classification and subsequent measurement of financial assets (Continued)

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

3.3.3 Derecognition of financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through statement of income (FVSI): this classification is applied to financial liabilities at FVSI at initial recognition. Gains or losses on financial liabilities designated at FVSI are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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 (before tax) is a decrease in the Company's total equity by a range of SR 7.80 million to SR 13.39 million. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

Transition To	**Change in Equity @ 1 January 2022 range**
IFRS 17	Decrease by SR 7.80 million to SR 13.39 million
IFRS 9	No Material Effect
Total Impact	**Decrease by SR 7.80 million to SR 13.39 million**

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

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

Cash and cash equivalents
Cash and cash equivalents comprise of current accounts at banks and deposits maturing within 3 months from acquisition date.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premiums and Reinsurance receivable-net

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other expenses / income - net" 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 6 fall under the scope of IFRS 4 "Insurance contracts". Receivables are also analyzed as per the ageing and accordingly provision is

Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals (SAR) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to SAR at the rate of exchange prevailing at the date of statement of financial position. Exchange differences are taken to the statements of insurance operations or statement of shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

Insurance contracts

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

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 is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Provisions, accrued expenses and other liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Available-for-sale investments (AFS)

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

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

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

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 Held-to-Maturity (HTM) is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

Held as Fair Value through Statement of Income

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 statement of income.

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

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 income from FVSI financial instruments in the statement of income.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held as Fair Value through Statement of Income (Continued)

- 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'.

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.

Investments classified as held-to-maturity cannot ordinarily be sold or reclassified without impacting the Company'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 Company'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 Company's control that could not have been reasonably anticipated.

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

Evidence of impairment may include:

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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

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

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% or more from original cost is considered significant as per the 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

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

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

	Lower of useful life or lease term
Leasehold improvements	5
Computer and office equipment's	4
Furniture and fittings	5
Vehicles	4

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

Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are included in "other income'(expenses)" in the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital work in progress

Capital work in progress, includes facility refurbishment and upgradation projects that are being developed for future use. When commissioned, capital work in progress will be transferred to the respective category i.e. property and equipment or intangible asset and depreciated and accounted, respectively in accordance with the Company's policy.

Intangible assets are shown at historical cost less accumulated amortization. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over 4 years.

Impairment of non-financial assets

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

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

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

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of income in subsequent periods.

Past service cost are recognised in statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non routine settlements
- Net special commission expense or income

Short term employee benefits

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

Other short term employee benefits

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

Liability adequacy test

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

Zakat and income tax

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and income tax (Continued)

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

Deferred tax

Deferred tax is calculated by using the statement of financial position liability method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the statement of financial position date. Deferred tax asset is recognised only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is charged or credited in the statement of income, except in the case of items credited or charged to other comprehensive income/equity in which case it is included in other comprehensive income/equity.

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2022 since the Company does not anticipate availability of future taxable profit in foreseeable future to utilize any tax credits. The deferred tax liability has not been recorded since there are no temporary taxable differences.

Statutory deposit

Statutory deposit represents 15% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Revenue recognition

Recognition of premium and commission revenue

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

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

Insurance policyholders are charged for policy administration services and policy fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over future periods.

Claims

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred policy acquisition costs

Commission paid to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred and shown as an asset in statement of financial position. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned and charged to statement of income.

Offsetting

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

Trade date accounting

All routine purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). 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.

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.

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.

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
- Motor
- Property & casualty
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments have been approved by management in respect of the Company's activities, assets and liabilities and is based on current reporting to the Chief Executive Officer.

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.

4 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	2022 SAR' 000			2021 SAR' 000		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Cash at bank	56,141	2,601	58,742	21,338	25,672	47,010
Cash in hand	20	-	20	30	-	30
Deposits maturing within 3 months	-	95,000	95,000	-	-	-
	56,161	97,601	153,762	21,368	25,672	47,040

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology.

5 SHORT TERM DEPOSIT

Short-term deposit represents murabaha deposit having original maturity between 3 months and 12 months from the reporting date. Short term deposit earn profit at an average rate of 4.7% per annum (2021: 5.23% per annum).

The carrying amounts of the deposit is reasonably approximate to its fair value at the reporting date.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:	2022 SAR' 000	2021 SAR' 000
Policyholders	70,231	58,188
Brokers and agents	44,475	48,803
Related parties (note 18)	1,173	2,026
Receivables from reinsurers	2,198	34,147
	118,077	143,164
Less: provision for doubtful receivables	(47,761)	(55,621)
Premiums and reinsurers' receivable – net	70,316	87,543

The movement in the provision for doubtful receivables is as follows:	2022 SAR' 000	2021 SAR' 000
Balance at the beging of the year	55,621	50,118
Write off	(16,734)	-
Charge for the year	8,874	5,503
Balance at the end of the year	47,761	55,621

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

	Total	Past due but not impaired			Past due and impaired		
		Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
	SAR' 000						
2022	118,077	17,523	15,898	13,948	6,775	7,568	56,365
2021	143,164	41,246	8,836	4,488	12,979	10,923	64,692

The five largest customers accounts for 12% of the receivable as at 31 December 2022 (2021: 18%).

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

a) Outstanding claims

	2022 SAR' 000			2021 SAR' 000		
	Gross	RI share	Net	Gross	RI share	Net
Outstanding claims at end of the year	24,357	(1,688)	22,669	21,401	(1,267)	20,134
Claims incurred but not reported at end of the year	46,210	(744)	45,466	58,250	(1,205)	57,045
	70,567	(2,432)	68,135	79,651	(2,472)	77,179
Claims paid during the year	219,339	(12,099)	207,240	314,929	(53,778)	261,151
Outstanding claims at beginning of the year	**(21,401)**	**1,267**	**(20,134)**	(35,661)	11,763	(23,898)
Claims incurred but not reported at beginning of the year	(58,250)	1,205	(57,045)	(58,148)	2,701	(55,447)
	(79,651)	2,472	(77,179)	(93,809)	14,464	(79,345)
Claims incurred during the year	210,255	(12,059)	198,196	300,771	(41,786)	258,985

b) Unearned premiums

	2022 SAR' 000			2021 SAR' 000		
	Gross	RI share	Net	Gross	RI share	Net
Unearned premiums at beginning of the year	**113,295**	**(1,433)**	**111,862**	**141,100**	(2,056)	**139,044**
Premiums written during the year	**230,515**	**(3,580)**	226,935	**275,487**	(4,630)	**270,857**
Excess of loss expenses during the year	-	**(24,280)**	(24,280)	-	(51,187)	(51,187)
Premiums earned during the year	(248,570)	27,857	(220,713)	(303,292)	56,440	(246,852)
Unearned premiums at end of the year	95,240	(1,436)	93,804	113,295	(1,433)	111,862

c) Unearned reinsurance commission

	2022 SAR' 000	2021 SAR' 000
Beginning of the year	**242**	456
Commission received during the year	**600**	876
Commission earned during the year	**(628)**	(1,090)
End of the year	214	242

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

d) Deferred policy acquisition costs

	2022	2021
	SAR' 000	SAR' 000
Beginning of the year	**12,606**	11,010
Incurred during the year	**30,655**	29,953
Amortized during the year	**(29,885)**	(28,357)
End of the year	**13,376**	12,606

8 INVESTMENTS

Investments are classified as follows:

	2022 SAR' 000			2021 SAR' 000		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Available-for-sale investments	**1,923**	**104,320**	**106,243**	1,923	13,259	15,182
Held-to-maturity investments	**-**	**12,530**	**12,530**	-	44,198	44,198
	1,923	**116,850**	**118,773**	1,923	57,457	59,380

8.1 Available-for-sale investment in insurance operation represents SR 1.92 million (2021: SR 1.92 million) with respect to the Company's shareholding in Najm for Insurance Services Company ("Najm") which represents 3.85% (2021: 3.85%) share capital holding in Najm.

8.2 Investments for shareholders' operations comprised as follows:

	2022	2021
	SAR' 000	SAR' 000
Available-for-sale investments - Equity instruments (Domestic)	**3,539**	13,259
Held-to-maturity investments - Debt instruments (Domestic)	**12,530**	44,198
Available for Sale - Murabaha Funds (Domestic)	**102,704**	-
	118,773	57,457

8.3 The Held-to-maturity investment represents sukuks earning average profit at a rate of 3.62% per annum (2021: 3.91% per annum) having maturities upto 20 April 2027.

The movements in available-for-sale investments for shareholders' operations are as follows:

	2022	2021
	SAR' 000	SAR' 000
Opening balance	**13,259**	10,949
Additions	**102,163**	2,788
Disposals at cost	**(9,548)**	(1,587)
Change in fair value of available-for-sale investments	**560**	1,564
Transferred from fair value reserve to income for the year	**(2,114)**	(455)
Closing balance	**104,320**	13,259

The movements in held to maturity investments for shareholders' operations are as follows:

	2022	2021
	SAR' 000	SAR' 000
Opening balance	**44,198**	49,045
Amortization	**127**	403
Disposal	**(31,795)**	(5,250)
Closing balance	**12,530**	44,198

9 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	2022 SAR' 000						
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipments*	*Motor Vehicles*	*Capital work in progress*	*Total property and equipment*	*Intangible assets*
Cost							
1 January	**6,167**	**2,350**	**7,556**	**219**	**1,642**	**17,934**	**6,179**
Additions	-	1	138	-	1,775	1,914	420
Transfer	-	-	-	-	-	-	-
31 December	6,167	2,351	7,694	219	3,417	19,848	6,599
Accumulated depreciation/amortisation							
1 January	4,645	**1,713**	5,272	**219**	-	11,849	5,604
Charge for the year	376	197	1,035	-	-	1,608	329
31 December	5,021	1,910	6,307	219	-	13,457	5,932
Net book value:							
31 December	1,146	441	1,387	-	3,417	6,391	667

	2021 SAR' 000						
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipments*	*Motor Vehicles*	*Capital work in progress*	*Total property and equipment*	*Intangible assets*
Cost							
1 January	5,795	2,153	6,326	219	1,789	16,282	6,127
Additions	225	197	1,230	-	-	1,652	52
Transfers	147	-	-	-	(147)	-	-
31 December	6,167	2,350	7,556	219	1,642	17,934	6,179
Accumulated depreciation/amortisation							
1 January	4,239	1,542	4,306	219	-	10,306	5,227
Charge for the year	406	171	966	-	-	1,543	377
31 December	4,645	1,713	5,272	219	-	11,849	5,604
Net book value:							
31 December	1,522	637	2,284	-	1,642	6,085	575

The depreciation/amortisation charge for the year is included in general and administrative expenses in the statement of income (note 17).

Capital work in progress represents cost incurred for Leasehold improvements.

10 PREPAYMENTS AND OTHER ASSETS

	2022 SAR' 000	2021 SAR' 000
Medical service providers' Receivable	14,009	-
Accrued hajj and umrah income	6,299	-
Deferred medical claims review fees	2,317	2,477
Prepaid excess of loss expenses	1,622	1,613
Prepaid medical insurance premiums	1,328	1,770
Deferred CCHI fees	624	638
Employees' receivables	606	1,701
Deferred SAMA fees	472	566
Accrued interests	433	364
Prepaid rent	201	254
Value added tax	-	966
Others	7,240	4,463
	35,151	14,812

11 STATUTORY DEPOSIT

	2022 SAR' 000	2021 SAR' 000
Statutory deposit	64,500	19,500

a) As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 15% of its paid-up share capital, amounting to SAR 19.5 million, in a bank designated by SAMA. During 2022, the company has increased its share capital, by SAR 300 million and the legal formalities have been finalized, however the company deposited an additional amount of statutory deposit equivalent to 15 % of its new paid-up share capital amounting to SAR 45 million. The Statutory deposit balance as at 31 December 2022 is amounting to SAR 64.5 million (31 December 2021: SAR 19.5 million). Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

b) In accordance with the instruction received from the SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December 2022 and 2021 as an asset and a liability in these financial statements.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SAR' 000	2021 SAR' 000
Unallocated receipts	16,021	6,067
Commission payable	10,338	9,888
Accrual against stale cheques	3,095	7,461
Provision for Employee Medical Policy	2,295	-
Provision for reinsurance withholding tax	1,976	2,430
Accrued BoD allowances	1,837	1,112
Inspection and supervision fees	1,423	1,580
Accrued employees' benefits	1,346	2,231
Value added tax	178	-
Medical service providers' payables	-	9,350
Others	3,771	1,894
	42,280	42,013

13 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2022 SAR' 000	2021 SAR' 000
Present value of defined benefit obligation	5,022	5,342
Movement of defined benefit obligation		
Opening balance	5,342	4,546
Charge to statement of income		
Current service cost	1,642	1,531
Interest cost	75	43
	1,717	1,574
Charge to statement of comprehensive income		
Actuarial loss / (gain) on employees' end-of-service benefits	1,499	(292)
Payment of benefits during the year	(3,536)	(486)
Closing balance	5,022	5,342

Principal actuarial assumptions	2022	2021
Valuation discount rate	4.40%	2.05%
Expected rate of increase in salary level across different age bands	2.05%	1.00%
Withdrawal rate	Moderate	Moderate
Duration of the liability (in years)	9.36	5.26

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

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

	2022 SAR' 000	2021 SAR' 000
Valuation discount rate		
- Increase by 1%	4,590	5,076
- Decrease by 1%	5,530	5,638
Expected rate of increase in salary level across different age bands		
- Increase by 1%	5,547	5,661
- Decrease by 1%	4,568	5,050
Mortality rate		
- 1 year mortality rate set back	5,024	5,344
- 1 year mortality rate set forward	5,019	5,342
Withdrawal rate		
- Increase by 10%	4,905	5,231
- Decrease by 10%	5,151	5,468

14 PROVISION FOR ZAKAT AND INCOME TAX

a) Charge for the year

The zakat and income tax payable by the Company has been calculated in accordance with the zakat regulations in Kingdom of Saudi Arabia.

The zakat and income tax provision for the year is based on the following:

	2022 SAR' 000	2021 SAR' 000
Share capital	280,000	240,000
Capital reduction	-	(110,000)
Share capital after reduction	280,000	130,000
Accumulated deficit	(157,227)	(147,503)
Loss absorporation on account of capital reduction	-	110,000
Accumulated deficit after reduction	(157,227)	(37.503)
Loss before zakat, as adjusted	(36,219)	(111,666)
Provisions	42,941	55,968
Property and equipment, intangibles and investments	(7,058)	(8,008)
Other deductions	(77,448)	(9,562)
Estimated zakat base	44,989	19,229
Saudi Shareholders' share 98.98% (2021: 98.98%)	44,532	19,034
Zakat (2.5%)	1,176	491
Foreign Shareholders' share from profit or (loss) adjusted 1.02% (2021: 1.02%).	(368)	(1,135)
Income tax (20%)	-	-
Total zakat and income tax	1,176	491

b) Zakat and income tax payable

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

	2022 SAR' 000	2021 SAR' 000
At beginning of the year	3,559	6,673
Charge for the year	1,176	491
Prior year charge	2,274	(2,761)
	3,450	(2,270)
Paid during the year	-	(844)
At end of the year	7,009	3,559

c) Status of assessments

The Company has filed its zakat return to Zakat, Tax and Customs Authority ("ZATCA") till the year 2020. All the assessments up to the year 2016 have been settled with ZATCA and a final clearance certificate has been obtained. During the year ended 31 December 2020, ZATCA issued zakat assessment for the years 2017 and 2018 amounting to 6.2 million. The Company has filed objection against the assessment and the management believes that the liability can be reduced to 3.7 million with a very high probability. During the year ended 31 December 2020, the Company has also received assessments along with penalties in respect of Value Added Tax ("VAT") for the years 2018 and 2019 amounting to 1.6 million. The Company objected to the penalties which have been reversed by ZATCA and are under process for refund.

During the year, ZATCA issued zakat assessments for the years 2019 and 2020 amounted 4.997M (3.069M and 1.929M), the company objected against the assessments and paid 10% of the objected amounts (306K and 193K) as an objection requirement. The case is still under discussion with ZATCA.

15 SHARE CAPITAL

As of December 31, 2021 the authorized, subscribed and paid-up share capital of the Company was SR 130 million share capital dividend into 13 million shares of SR 10 each.

On January 17, 2022, the Board of Directors had recommended an increased in the Company's capital through right issue with a total value of SR 300 million. The extra ordinary general meeting of shareholders was held on February 28, 2022, to approve the aforementioned capital increase and procedures for the issuance of right shares. On April 24, 2022, the Company obtained approval from SAMA. On May 23, 2022 the Capital Market authority (CMA) approved the said capital increase.

Following the Shareholders' approval on May 29, 2022, the Company announced trading of 30 million right shares during the subscription period of the priority rights starting from June 06, 2022, to June 16, 2022. The remaining offering period for the subscription of new shares was set from June 21, 2022, to June 22. 2022. On June 30. 2022 subscribed securities were deposited into the Center's Accounts of eligible securities' holders.

	2022		2021	
	Authorised, issued and paid up		Authorised, issued and paid up	
	No. of Shares	SAR'000	No. of Shares	SAR'000
Amana Gulf Insurance Co.	4,376,110	43,761	1,771,900	17,719
Others	38,623,890	386,239	11,228,100	112,281
	43,000,000	430,000	13,000,000	130,000

15.1 Movement during the year

	No. of Shares in thousands	Days	Weighted average number of share
Number of shares added as of June 28, 2022	13,000	178	6.357
Number of shares added as of December 31, 2021	43,000	186	21,973
Weighted average number of shares outstanding (in thousands)	56,000	364	28,330

16 LOSS PER SHARE - BASIC AND DILUTED

Basic and diluted loss per share for the year have been calculated by dividing the net loss for the year by the weighted average numbers of shares in issue through out the year. The weighted average number of shares for the periods ended 31 December 2022 and 31 December 2021 have been arrived at by taking the effect of increase in the share capital.

	2022 SAR' 000	2021 SAR' 000
Loss for the year (SAR '000)	(47,245)	(119,136)
Weighted average number of shares outstanding (in thousands)	28,330	13,000
Loss per share- basic and diluted	(1.67)	(9.16)

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SAR' 000	2021 SAR' 000
Employees' costs and salaries	31,758	35,987
Consultant and professional fees	5,030	2,772
Merger and Acquisition Expense - SH	2,448	-
Medical expenses	2,278	2,086
Programs license expenses	2,173	3,205
Communication expenses	1,875	956
Rent	1,612	1,910
Depreciation (note 9)	1,608	1,543
Employees' service cost (note 13)	1,717	1,574
Allowances for BOD and related committee members	1,357	975
Penalties	1,059	380
Advertisement promotion and printing	950	1,515
Government expenses	927	1,056
Amortization (note 9)	329	377
Electric Expenses	192	315
Bank charges	173	284
Travel expenses	133	292
Legal cases expenses	88	179
Others	1,556	4,485
	57,263	59,891

18 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 related party transactions during the year and the related balances:

DUE FROM RELATED PARTIES

	Amounts of transactions		*Balances as at*	
	2022	2021	**2022**	2021
	SAR'000	SAR'000	**SAR'000**	SAR'000
Entities controlled, jointly controlled or significantly influenced by related parties				
El Seif companies group				
- Insurance premium written	**667**	5,528	**817**	1,650
- Paid claims	**76**	403	**-**	-
	743	5,931	**817**	1,650
Al Durra Al Raeda Co				
- Insurance premium written	**-**	45	**-**	20
- Paid claims	**-**	-	**-**	-
	-	45	**-**	20
Abdulrahman Al Sakran				
- Insurance premium written	**-**	10	**-**	-
- Paid claims	**-**	-	**-**	-
	-	10	**-**	-
Naif Al Sudairy				
- Insurance premium written	**-**	-	**-**	-
	-	-	**-**	-
El Tukhy companies group				
- Insurance premium written	**-**	-	**356**	356
	-	-	**356**	356
Globe-Med				
- volume rebate	**6,000**	-	**6,000**	-
	6,000	-	**6,000**	-
Total	**6,743**	5,986	**7,173**	2,026
Less: provision for doubtful receivables			**(880)**	(733)
Due from related parties, net			**6,293**	1,293

The movement in the provision for doubtful receivables regarding related parties was as following:

	2022	2021
	SAR' 000	SAR' 000
At the beginning of the year	**733**	304
Charge during the year	**147**	429
At the end of the year	**880**	733

DUE TO RELATED PARTIES

	Amounts of transactions		*Balances as at*	
	2022	2021	**2022**	2021
	SAR'000	SAR'000	**SAR'000**	SAR'000
Board of Directors & related committee				
Bonus and other allowances	**1,518**	1,425	**1,837**	1,562
Globe-Med (Group entity)				
Administration fees for handling medical claims and others	**5,677**	5,180	**7,357**	3,369
	7,195	6,605	**9,194**	4,931

KEY MANAGEMENT PERSONNEL

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

The compensation of key management personnel during the year is as follows:

	2022	2021
	SAR' 000	SAR' 000
Salaries and other allowances	**6,827**	5,372
End-of-service benefits	**1,125**	665
	7,952	6,037

19 CLAIMS DEVELOPMENT TABLE

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments.

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

2022

Accident year	**2015 & Earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
					SAR'000				
Estimate of ultimate claims cost gross of reinsurance:									
At end of accident year	280,390	250,402	79,549	80,907	198,298	247,147	304,043	222,550	222,550
One year later	293,830	234,970	64,855	78,237	200,231	249,921	293,432	-	293,432
Two years later	289,781	186,202	60,052	77,721	198,481	249,207	-	-	249,207
Three years later	286,106	181,436	58,215	77,388	198,529	-	-	-	198,529
Four years later	284,814	178,429	57,486	77,259	-	-	-	-	77,259
Five years later	281,017	42,898	57,240	-	-	-	-	-	57,240
Six years later	124,549	42,827	-	-	-	-	-	-	42,827
Seven years later	124,549	-	-	-	-	-	-	-	124,549
Current estimate of cumulative claims	124,549	42,827	57,240	77,259	198,529	249,207	293,432	222,550	1,265,593
Cumulative payments to date	(124,549)	(42,811)	(57,237)	(77,150)	(198,491)	(247,774)	(287,307)	(159,707)	(1,195,026)
Liability recognized in statement of financial position	-	16	3	109	38	1,433	6,125	62,843	70,567

2021

Accident year	2014 & Earlier	2015	2016	2017	2018	2019	2020	2021	Total
					SAR'000				
Estimate of ultimate claims cost gross of reinsurance:									
At end of accident year	101,734	280,390	250,402	79,549	80,907	198,298	247,147	304,043	304,043
One year later	91,537	293,830	234,970	64,855	78,237	200,231	249,921	-	249,921
Two years later	315,478	289,781	186,202	60,052	77,721	198,481	-	-	198,481
Three years later	317,842	286,106	181,436	58,215	77,388	-	-	-	77,388
Four years later	319,073	284,814	178,429	57,486	-	-	-	-	57,486
Five years later	315,204	281,017	42,898	-	-	-	-	-	42,898
Six years later	309,529	124,549	-	-	-	-	-	-	124,549
Seven years later	309,529	-	-	-	-	-	-	-	309,529
Current estimate of cumulative claims	309,529	124,549	42,898	57,486	77,388	198,481	249,921	304,043	1,364,295
Cumulative payments to date	(309,529)	(124,465)	(42,832)	(57,220)	(77,149)	(198,114)	(246,690)	(228,645)	(1,284,644)
Liability recognized in statement of financial position	-	84	66	266	239	367	3,231	75,398	79,651

19 CLAIMS DEVELOPMENT TABLE (CONTINUED)

2022

Accident year	2015 & Earlier	2016	2017	2018	2019	2020	2021	2022	Total
					SAR'000				
Estimate of ultimate claims cost net of reinsurance:									
At end of accident year	218,861	167,765	39,580	43,983	163,694	235,437	294,014	221,820	221,820
One year later	197,413	159,010	32,060	43,587	175,872	249,912	285,280	-	285,280
Two years later	196,496	151,491	30,332	43,138	174,415	249,198	-	-	249,198
Three years later	194,237	148,381	29,572	42,955	174,496	-	-	-	174,496
Four years later	194,544	147,130	29,314	42,841	-	-	-	-	42,841
Five years later	191,104	15,920	29,226	-	-	-	-	-	29,226
Six years later	94,101	15,873	-	-	-	-	-	-	15,873
Seven years later	94,101	-	-	-	-	-	-	-	94,101
Current estimate of cumulative claims	94,101	15,873	29,226	42,841	174,496	249,198	285,280	221,820	1,112,835
Cumulative payments to date	(94,101)	(15,873)	(29,224)	(42,740)	(174,464)	(247,765)	(280,826)	(159,707)	(1,044,700)
Liability recognized in statement of financial position	-	-	2	101	32	1,433	4,454	62,113	68,135

2021

Accident year	2014 & Earlier	2015	2016	2017	2018	2019	2020	2021	Total
					SAR'000				
Estimate of ultimate claims cost net of reinsurance:									
At end of accident year	50,359	218,861	167,765	39,580	43,983	163,694	235,437	294,014	294,014
One year later	49,013	197,413	159,010	32,060	43,587	175,872	249,912	-	249,912
Two years later	253,648	196,496	151,491	30,332	43,138	174,415	-	-	174,415
Three years later	258,783	194,237	148,381	29,572	42,955	-	-	-	42,955
Four years later	257,828	194,544	147,130	29,314	-	-	-	-	29,314
Five years later	256,853	191,104	15,920	-	-	-	-	-	15,920
Six years later	250,380	94,101	-	-	-	-	-	-	94,101
Seven years later	250,380	-	-	-	-	-	-	-	250,380
Current estimate of cumulative claims	250,380	94,101	15,920	29,314	42,955	174,415	249,912	294,014	1,151,011
Cumulative payments to date	(250,380)	(94,050)	(15,892)	(29,207)	(42,741)	(174,087)	(246,681)	(220,794)	(1,073,832)
Liability recognized in statement of financial position	-	51	28	107	214	328	3,231	73,220	77,179

20 SEGMENT INFORMATION

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

Segment results do not include general and administrative expenses, allowance for doubtful debts. Accordingly, they are included in unallocated expenses or income.

Segment assets do not include insurance operations' property and equipment, investments, prepayments and other assets, premiums and reinsurance balances receivable - net, cash and cash equivalents and time deposits. Accordingly they are included in unallocated assets. Segment liabilities do not include employees' end-of-service benefits, reinsurance balances payable, accrued expenses and other liabilities and accrued surplus to policyholders. Accordingly they are included in unallocated liabilities.

	2022 SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Revenues							
Gross premiums written							
- Corporate enterprises	3,243	10,360	2,673	-	16,276	-	16,276
- Medium enterprises	7,788	1,800	87	-	9,675	-	9,675
- Small enterprises	15,673	8,369	1,689	-	25,731	-	25,731
- Very Small enterprises	117,703	61,114	16	-	178,833	-	178,833
	144,407	81,643	4,465	-	230,515	-	230,515
- Local	-	-	(602)	-	(602)	-	(602)
- International (includes premium ceded through local broker)	-	-	(2,978)	-	(2,978)	-	(2,978)
Reinsurance premiums ceded	-	-	(3,580)	-	(3,580)	-	(3,580)
- Local	(10,180)	(1,445)	(123)	-	(11,748)	-	(11,748)
- International (includes premium ceded through local broker)	(10,179)	(2,168)	(185)	-	(12,532)	-	(12,532)
Excess of loss expenses	(20,359)	(3,613)	(308)	-	(24,280)	-	(24,280)
Net premiums written	124,048	78,030	577	-	202,655	-	202,655
Changes in unearned premiums	560	17,090	403	-	18,053	-	18,053
Changes in reinsurers' share of unearned premiums	-	-	3	-	3	-	3
Net premiums earned	124,608	95,120	983	-	220,711	-	220,711
Reinsurance commissions	-	-	628	-	628	-	628
Other underwriting income	11,969	4,840	906	-	17,715	-	17,715
Net revenues	136,577	99,960	2,517	-	239,054	-	239,054

20 SEGMENT INFORMATION (CONTINUED)

	2022 SAR' 000						
	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Underwriting costs and expenses							
Gross claims paid	(105,844)	(113,495)	-	-	(219,339)	-	(219,339)
Reinsurers' share of claims paid	11,645	454	-	-	12,099	-	12,099
Net claims paid	(94,199)	(113,041)	-	-	(207,240)	-	(207,240)
Changes in outstanding claims	9,435	(3,946)	-	-	5,489	-	5,489
Changes in reinsurers' share of outstanding claims	44	376	-	-	420	-	420
Changes in claims incurred but not reported	(1,567)	4,714	440	-	3,587	-	3,587
Changes in reinsurers' share of claims incurred but not reported	10	(82)	(380)	-	(452)	-	(452)
Net claims incurred	(86,277)	(111,979)	60	-	(198,196)	-	(198,196)
Changes in premiums deficiency reserve	8,845	3,811	193	-	12,849	-	12,849
Changes in other technical reserves	2,101	628	(140)	-	2,589	-	2,589
Policy acquisition costs	(12,631)	(16,787)	(467)	-	(29,885)	-	(29,885)
Inspection and supervision fees	(8,275)	(538)	(7)	-	(8,820)	-	(8,820)
Total underwriting costs and expenses	(96,237)	(124,865)	(361)	-	(221,463)	-	(221,463)
Net underwriting income / (loss)	40,340	(24,905)	2,156	-	17,591	-	17,591
Other operating income / (expenses)							
Provision for doubtful debts	-	-	-	(8,874)	(8,874)	-	(8,874)
General and administrative expenses	-	-	-	(53,136)	(53,136)	(4,127)	(57,263)
Dividends and investment income	-	-	-	-	-	1,823	1,823
Realized gain from sale of available for sale investments	-	-	-	-	-	2,928	2,928
Total other income expenses, net	-	-	-	(62,010)	(62,010)	624	(61,386)
Total (loss) / income for the year attributable to the shareholders before zakat and income tax	40,340	(24,905)	2,156	(62,010)	(44,419)	624	(43,795)
Zakat and income tax	-	-	-	-	-	(3,450)	(3,450)
Total (loss) / income for the year attributable to the shareholders after zakat and income tax	40,340	(24,905)	2,156	(62,010)	(44,419)	(2,826)	(47,245)

20 SEGMENT INFORMATION (CONTINUED)

	2021 SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Revenues							
Gross premiums written							
- Corporate enterprises	24,669	9,816	5,118	-	39,603	-	39,603
- Medium enterprises	24,640	1,191	556	-	26,387	-	26,387
- Small enterprises	27,682	739	329	-	28,750	-	28,750
- Very Small enterprises	73,208	107,486	53	-	180,747	-	180,747
	150,199	119,232	6,056	-	275,487	-	275,487
- Local	-	-	(1,177)	-	(1,177)	-	(1,177)
- International (includes premium ceded through local broker)	-	-	(3,453)	-	(3,453)	-	(3,453)
Reinsurance premiums ceded	-	-	(4,630)	-	(4,630)	-	(4,630)
- Local	(46,587)	(4,312)	(288)	-	(51,187)	-	(51,187)
- International (includes premium ceded through local broker)	-	-	-	-	-	-	-
Excess of loss expenses	(46,587)	(4,312)	(288)	-	(51,187)	-	(51,187)
Net premiums written	103,612	114,920	1,138	-	219,670	-	219,670
Changes in unearned premiums	56,980	(29,601)	426	-	27,805	-	27,805
Changes in reinsurers' share of unearned premiums	-	-	(623)	-	(623)	-	(623)
Net premiums earned	160,592	85,319	941	-	246,852	-	246,852
Reinsurance commissions	-	-	1,090	-	1,090	-	1,090
Other underwriting income	24	-	166	-	190	-	190
Net revenues	160,616	85,319	2,197	-	248,132	-	248,132

20 SEGMENT INFORMATION (CONTINUED)

	2021 SAR' 000						
	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Underwriting costs and expenses							
Gross claims paid	(222,029)	(83,720)	(9,180)	-	(314,929)	-	(314,929)
Reinsurers' share of claims paid	44,917	168	8,693	-	53,778	-	53,778
Net claims paid	(177,112)	(83,552)	(487)	-	(261,151)	-	(261,151)
Changes in outstanding claims	19,181	(4,783)	(138)	-	14,260	-	14,260
Changes in reinsurers' share of outstanding claims	(9,390)	(1,248)	142	-	(10,496)	-	(10,496)
Changes in claims incurred but not reported	9,463	(11,407)	1,842	-	(102)	-	(102)
Changes in reinsurers' share of claims incurred but not reported	(43)	(157)	(1,296)	-	(1,496)	-	(1,496)
Net claims incurred	(157,901)	(101,147)	63	-	(258,985)	-	(258,985)
Changes in premiums deficiency reserve	3,318	(14,580)	(193)	-	(11,455)	-	(11,455)
Changes in other technical reserves	1,633	(814)	158	-	977	-	977
Policy acquisition costs	(17,255)	(10,396)	(706)	-	(28,357)	-	(28,357)
Inspection and supervision fees	(11,425)	(464)	(88)	-	(11,977)	-	(11,977)
Total underwriting costs and expenses	(181,630)	(127,401)	(766)	-	(309,797)	-	(309,797)
Net underwriting income / (loss)	(21,014)	(42,082)	1,431	-	(61,665)	-	(61,665)
Other operating income / (expenses)							
Provision for doubtful debts	-	-	-	(5,503)	(5,503)	-	(5,503)
General and administrative expenses	-	-	-	(56,353)	(56,353)	(3,538)	(59,891)
Dividends and investment income	-	-	-	-	-	5,198	5,198
Realized gain from sale of available for sale investments	-	-	-	-	-	455	455
Total other income expenses, net	-	-	-	(61,856)	(61,856)	2,115	(59,741)
Total (loss) / income for the year attributable to the shareholders before zakat and income tax	(21,014)	(42,082)	1,431	(61,856)	(123,521)	2,115	(121,406)
Zakat and income tax	-	-	-	-	-	2,270	2,270
Total (loss) / income for the year attributable to the shareholders after zakat and income tax	(21,014)	(42,082)	1,431	(61,856)	(123,521)	4,385	(119,136)

20 SEGMENT INFORMATION (CONTINUED)

	2022 SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Assets							
Cash and cash equivalents	-	-	-	56,161	56,161	97,601	153,762
Premiums and reinsurers' receivable - net	47,816	19,326	1,224	1,950	70,316	-	70,316
Reinsurers' share of unearned premiums	-	-	1,436	-	1,436	-	1,436
Reinsurers' share of outstanding claims	599	786	303	-	1,688	-	1,688
Reinsurers' share of claims incurred but not reported	11	3	730	-	744	-	744
Deferred policy acquisition costs	5,501	7,667	208	-	13,376	-	13,376
Investments	-	-	-	1,923	1,923	116,850	118,773
Unallocated assets	-	-	-	41,414	41,414	69,082	110,496
Total assets	53,927	27,782	3,901	101,448	187,058	283,533	470,591
Liabilities							
Policyholders claims payable	642	2,090	850	-	3,582	-	3,582
Reinsurance balances payable	-	-	-	9,212	9,212	-	9,212
Unearned premiums	63,229	30,239	1,772	-	95,240	-	95,240
Unearned reinsurance commission	-	-	214	-	214	-	214
Outstanding claims	8,737	15,271	349	-	24,357	-	24,357
Claims incurred but not reported	34,945	10,361	904	-	46,210	-	46,210
Premiums deficiency reserve	-	14,318	-	-	14,318	-	14,318
Other technical reserve	620	441	167	-	1,228	-	1,228
Unallocated liabilities	-	-	-	45,287	45,287	13,221	58,508
Total liabilities	108,173	72,720	4,256	54,499	239,648	13,221	252,869

20 SEGMENT INFORMATION (CONTINUED)

	2021 SAR' 000						
Operating segment	Medical	Motor	Property & casualty	Unallocated	Total - Insurance operations	Shareholders' operations	Total
Assets							
Cash and cash equivalents	-	-	-	21,368	21,368	25,672	47,040
Premiums and reinsurers' receivable - net	46,468	21,582	2,167	17,326	87,543	-	87,543
Reinsurers' share of unearned premiums	-	-	1,433	-	1,433	-	1,433
Reinsurers' share of outstanding claims	554	410	303	-	1,267	-	1,267
Reinsurers' share of claims incurred but not reported	-	85	1,120	-	1,205	-	1,205
Deferred policy acquisition costs	5,349	7,056	201	-	12,606	-	12,606
Investments	-	-	-	1,923	1,923	57,457	59,380
Unallocated assets	-	-	-	21,087	21,087	32,874	53,961
Total assets	52,371	29,133	5,224	61,704	148,432	116,003	264,435
Liabilities							
Policyholders claims payable	593	2,045	850	-	3,488	-	3,488
Reinsurance balances payable	-	-	-	8,176	8,176	-	8,176
Unearned premiums	63,790	47,329	2,176	-	113,295	-	113,295
Unearned reinsurance commission	-	-	242	-	242	-	242
Outstanding claims	9,726	11,326	349	-	21,401	-	21,401
Claims incurred but not reported	41,823	15,074	1,353	-	58,250	-	58,250
Premiums deficiency reserve	8,845	18,129	193	-	27,167	-	27,167
Other technical reserves	2,722	1,069	27	-	3,818	-	3,818
Unallocated liabilities	-	-	-	45,143	45,143	9,539	54,682
Total liabilities	127,499	94,972	5,190	53,319	280,980	9,539	290,519

21 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements 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 shareholders comprising paid capital and accumulated deficit.

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. According to the article, 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

22 RISK MANAGEMENT

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

Risk governance

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

Risk management structure

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

Board of directors

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

Senior management

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

Risk Management and Audit committees

Risk management processes throughout the Company examine both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

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

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim, The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities, This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

22 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Significant portion of reinsurance business ceded is placed on excess of loss treaty. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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.

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 exposure to catastrophic and riot events by use of reinsurance arrangements.

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 in Saudi Arabia only, hence, all the insurance risks relate to policies written in Saudi Arabia.

Sensitivity analysis

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

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

Impact of change in claim ratio by + / - 10%

	2022	2021
	SAR'000	SAR'000
Medical	**4,308**	5,100
Motor	**2,484**	2,591
Property & casualty	**22**	28

22 RISK MANAGEMENT (CONTINUED)

Reinsurance risk

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

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

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

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

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre- set by the Company's Board of Directors before approving them for exchange of reinsurance business. As at 31 December 2022, one major reinsurer's balance comprise of 52% of reinsurance balance (2021: 52%).

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.

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 commission rates (commission rate risk) and market prices (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. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations.

Commission rate risk

The Company places deposits that are subject to commission rate risk, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. 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.

22 RISK MANAGEMENT (CONTINUED)

Market risk (continued)

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2021 and 2020 are as follows:

Insurance Operations	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
2022	**-**	**-**	**-**	**1,923**	**1,923**
2021	-	-	-	1,923	1,923

Shareholders Operations	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
2022	**97,601**	**-**	**12,530**	**104,320**	**214,451**
2021	35,672	31,258	12,940	13,259	93,129

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 1.6 million (2021: SAR 13.25 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 total comprehensive loss would be as follows:

	Fair Value change	Effect on company's loss (SAR' 000)
2022	**+/- 10%**	**2,533**
2021	+/- 10%	1,326

The sensitivity analysis presented is based upon the portfolio position as at December 31, 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.

Credit risk

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

22 RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

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

- The Company with respect to credit risk arising from other financial assets, is restricted to commercial banks and counterparties having strong balance sheets and credit ratings.

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. The Company's portfolio of financial instruments is not broadly diversified however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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

	Note	2022 SAR' 000 Insurance Operations	2022 SAR' 000 Shareholders' Operations	2021 SAR' 000 Insurance Operations	2021 SAR' 000 Shareholders' Operations
Cash and cash equivalents	4	**56,161**	**97,601**	21,368	25,672
Short Term deposit	5	**-**	**-**	-	10,000
Premiums and reinsurers' receivable - net	6	**70,316**	**-**	87,543	-
Investments	8	**1,923**	**116,850**	1,923	57,457
Accrued commission income on statutory deposit	5	**-**	**3,787**	-	2,989
Statutory deposit	11	**-**	**64,500**	-	19,500
Accrued hajj and umrah income	10	**6,299**	**-**	-	-
Reinsurers' share of outstanding claims	7a	**1,688**	**-**	1,267	-
Reinsurers' share of claims incurred but not reported		**744**	**-**	1,205	-
		137,131	**282,738**	113,306	115,618

Credit risk exposure investments

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating.

	Note	Investment grade 2022 SAR'000	Investment grade 2021 SAR'000	Non investment grade 2022 SAR'000	Non investment grade 2021 SAR'000
Cash and cash equivalents	4	**153,762**	47,040	**-**	-
Short Term deposit	5	**-**	10,000	**-**	-
Premiums and reinsurers' receivable - net	6	**-**	-	**70,316**	87,543
Reinsurers' share of outstanding claims	7a	**-**	-	**1,688**	1,267
Reinsurers' share of claims incurred but not reported		**-**	-	**744**	1,205
Investments	8	**118,773**	59,380	**-**	-
Accrued hajj and umrah income	10	**-**	-	**6,299**	-
Accrued commission income on statutory deposit	5	**3,787**	2,989	**-**	-
Statutory deposit	11	**64,500**	19,500	**-**	-
		340,822	138,909	**79,047**	90,015

22 RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Maturity Profiles

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

		2022 SAR' 000			2021 SAR' 000		
	Note	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS							
Cash and cash equivalents	4	153,762	-	153,762	47,010	-	47,010
Short Term deposit	5	-	-	-	10,000	-	10,000
Premiums and reinsurers' receivable - net	6	70,316	-	70,316	87,543	-	87,543
Reinsurers' share of outstanding claims	7a	1,688	-	1,688	1,267	-	1,267
Reinsurers' share of claims incurred but not reported	7a	744	-	744	1,205	-	1,205
Available-for-sale investments	8	-	106,243	106,243	-	15,182	15,182
Held-to-maturity investments	8	-	12,530	12,530	-	44,198	44,198
Accrued hajj and umrah income	10	6,299	-	6,299	-	-	-
Statutory deposit	11	-	64,500	64,500	-	19,500	19,500
Accrued commission income on statutory deposit		-	3,787	3,787	-	2,989	2,989
		232,809	187,060	419,869	147,025	81,869	228,894

22 RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity Profiles (continued)

		2022 SAR' 000			2021 SAR' 000		
	Note	Less than one year	More than one year	Total	Less than one year	More than one year	Total
LIABILITIES							
Policyholders claims payable		**3,582**	-	**3,582**	3,488	-	3,488
Accrued expenses and other liabilities	12	**42,280**	-	**42,280**	42,013	-	42,013
Reinsurance balances payable		**9,212**	-	**9,212**	8,176	-	8,176
Outstanding claims	7a	**24,357**	-	**24,357**	21,401	-	21,401
Claims incurred but not reported	7a	**46,210**	-	**46,210**	58,250	-	58,250
Employees' end-of-service benefits	13	-	**5,022**	**5,022**	-	5,342	5,342
Surplus distribution payable		**410**	-	**410**	779	-	779
Provision for zakat and income tax	14b	**7,009**	-	**7,009**	3,559	-	3,559
Accrued commission income payable to SAMA		-	**3,787**	**3,787**		2,989	2,989
		133,060	**8,809**	**141,869**	137,666	8,331	145,997
Total liquidity gap		**99,749**	**178,251**	**278,000**	9,359	73,538	82,897

The assets with maturity less than one year are expected to realize as follows:
- Accrued investment income is expected to be realized within 12 months from statement of financial position's date.
- Murabaha deposits are expected to be matured / settled within 2 month to 11 months (less than one year) from the statement of financial position date.
- Reinsurers share of outstanding claims majorly pertain to medical and motor businesses and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

- Cash and bank balances are available on demand.

The liabilities with maturity less than one year are expected to settle as follows:
- Majority of gross outstanding claims are expected to settle within 3 months in accordance with statutory timelines for payment. All other policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.
- Reinsurers' balances payable are settled on a net basis as per terms of reinsurance agreements.
- The policyholders claims payable, accrued expenses and other liabilities are expected to settle within a period of 12 months from the period end date.

22 RISK MANAGEMENT (CONTINUED)

Operational Risk

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

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

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;

- Requirements for the reconciliation and monitoring of transactions;

- Compliance with regulatory and other legal requirements;

- Documentation of controls and procedures;

- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- Ethical and business standards; and

- Risk mitigation policies and procedures.

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

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) *Carrying amounts and fair value*

The following table summarizes the fair values of financial assets as at 31 December 2021 and 2020 by level of the fair value hierarchy.

Insurance operations	**As at 31 December 2022 (SAR' 000)**				
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments					
Shares	**1,923**	**-**	**-**	**1,923**	**1,923**
	1,923	**-**	**-**	**1,923**	**1,923**
	As at 31 December 2021 (SAR' 000)				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments					
Shares	1,923	-	-	1,923	1,923
	1,923	-	-	1,923	1,923

Shareholders' operations	**As at 31 December 2022 (SAR' 000)**				
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments					
Shares and REIT	**1,616**	**1,616**	-	-	**1,616**
Murabaha Funds	**102,704**	-	**102,704**	-	**102,704**
	104,320	**1,616**	**102,704**	-	**104,320**
	As at 31 December 2021 (SAR' 000)				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments					
Shares and REIT	13,259	13,259	-	-	13,259
	13,259	13,259	-	-	13,259

There were no transfers between levels during the year ended 31 December 2022 and 31 December 2021.

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

b) Measurement of fair value

Available-for-sale investment at level 3 represents unquoted securities amounting to SAR 1.92 million in respect of the Company's share in the capital of Najm. As at 31 December 2022 and 31 December 2021, the investment has not been measured at fair value in the absence of active market or other means of measuring their fair value reliably. However, the management believes that there is no major difference between the carrying value and fair value of the investment.

Fair value of Mudarba is computed based on net asset value of its investments at the dat eof Statement of financial position.

24 COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:	**2022**	2021
	SAR' 000	SAR' 000
Capital work in progress	**728**	122
	728	122

b) 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.

25 SUPPLEMENTARY INFORMATION

25.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2022 SAR' 000	2021 SAR' 000	**2022 SAR' 000**	2021 SAR' 000	**2022 SAR' 000**	2021 SAR' 000
ASSETS						
Cash and cash equivalents	**56,161**	21,368	**97,601**	25,672	**153,762**	47,040
Short Term deposit	**-**	-	**-**	10,000	**-**	10,000
Premiums and reinsurers' receivable - net	**70,316**	87,543	**-**	-	**70,316**	87,543
Reinsurers' share of unearned premiums	**1,436**	1,433	**-**	-	**1,436**	1,433
Reinsurers' share of outstanding claims	**1,688**	1,267	**-**	-	**1,688**	1,267
Reinsurers' share of claims incurred but not reported	**744**	1,205	**-**	-	**744**	1,205
Deferred policy acquisition costs	**13,376**	12,606	**-**	-	**13,376**	12,606
Available-for-sale investments	**1,923**	1,923	**104,320**	13,259	**106,243**	15,182
Held-to-maturity investments	**-**	-	**12,530**	44,198	**12,530**	44,198
Due from shareholders' operations	**49,640**	131,097	**-**	-	**49,640**	131,097
Prepayments and other assets	**34,356**	14,427	**795**	385	**35,151**	14,812
Property and equipment	**6,391**	6,085	**-**	-	**6,391**	6,085
Intangible assets	**667**	575	**-**	-	**667**	575
Long Term deposits	**-**	-	**-**	-	**-**	-
Statutory deposit	**-**	-	**64,500**	19,500	**64,500**	19,500
Accrued commission income on statutory deposit	**-**	-	**3,787**	2,989	**3,787**	2,989
TOTAL ASSETS	**236,698**	279,529	**283,533**	116,003	**520,231**	395,532

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.1 Statement of financial position (continued)

	2022	2021	2022	2021	2022	2021
	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
LIABILITIES						
Policyholders claims payable	**3,582**	3,488	-	-	**3,582**	3,488
Accrued expenses and other liabilities	**39,855**	39,022	**2,425**	2,991	**42,280**	42,013
Reinsurance balances payable	**9,212**	8,176	-	-	**9,212**	8,176
Unearned premiums	**95,240**	113,295	-	-	**95,240**	113,295
Unearned reinsurance commission	**214**	242	-	-	**214**	242
Outstanding claims	**24,357**	21,401	-	-	**24,357**	21,401
Claims incurred but not reported	**46,210**	58,250	-	-	**46,210**	58,250
Premiums deficiency reserve	**14,318**	27,167	-	-	**14,318**	27,167
Other technical reserve	**1,228**	3,818	-	-	**1,228**	3,818
Due to insurance operation	-	-	**49,640**	131,097	**49,640**	131,097
Employees' end-of-service benefits	**5,022**	5,342	-	-	**5,022**	5,342
Surplus distribution payable	**410**	779	-	-	**410**	779
Provision for zakat and income tax	-	-	**7,009**	3,559	**7,009**	3,559
Accrued commission income payable to SAMA	-	-	**3,787**	2,989	**3,787**	2,989
TOTAL LIABILITIES	**239,648**	280,980	**62,861**	140,636	**302,509**	421,616
EQUITY						
Share capital	-	-	**430,000**	130,000	**430,000**	130,000
Accumulated losses	-	-	**(210,368)**	(157,227)	**(210,368)**	(157,227)
Actuarial reserve on end-of-service benefits	**(2,950)**	(1,451)	-	-	**(2,950)**	(1,451)
Fair value reserve for available-for-sale investments	-	-	**1,040**	2,594	**1,040**	2,594
TOTAL EQUITY	**(2,950)**	(1,451)	**220,672**	(24,633)	**217,722**	(26,084)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**236,698**	279,529	**283,533**	116,003	**520,231**	395,532

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.2 Statement of income

	2022 SAR' 000	2021 SAR' 000	2022 SAR' 000	2021 SAR' 000	2022 SAR' 000	2021 SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
REVENUES						
Gross premiums written	230,515	275,487	-	-	230,515	275,487
- Local	(602)	(1,117)	-	-	(602)	(1,117)
- Foreign	(2,978)	(3,513)	-	-	(2,978)	(3,513)
Reinsurance premiums ceded	(3,580)	(4,630)	-	-	(3,580)	(4,630)
- Local	(11,748)	(51,187)	-	-	(11,748)	(51,187)
- International	(12,532)	-	-	-	(12,532)	-
Excess of loss expenses	(24,280)	(51,187)	-	-	(24,280)	(51,187)
Net premiums written	202,655	219,670	-	-	202,655	219,670
Changes in unearned premiums	18,053	27,805	-	-	18,053	27,805
Changes in reinsurers' share of unearned premiums	3	(623)	-	-	3	(623)
Net premiums earned	220,711	246,852	-	-	220,711	246,852
Reinsurance commissions	628	1,090	-	-	628	1,090
Other underwriting income	17,715	190	-	-	17,715	190
NET REVENUES	239,054	248,132	-	-	239,054	248,132
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(219,339)	(314,929)	-	-	(219,339)	(314,929)
Reinsurers' share of claims paid	12,099	53,778	-	-	12,099	53,778
Net claims paid	(207,240)	(261,151)	-	-	(207,240)	(261,151)
Changes in outstanding claims	5,489	14,260	-	-	5,489	14,260
Changes in reinsurers' share of outstanding claims	420	(10,496)	-	-	420	(10,496)
Changes in claims incurred but not reported	3,587	(102)	-	-	3,587	(102)
Changes in reinsurers' share of claims incurred but not reported	(452)	(1,496)	-	-	(452)	(1,496)
Net claims incurred	(198,196)	(258,985)	-	-	(198,196)	(258,985)
Change in premiums deficiency reserve	12,849	(11,455)	-	-	12,849	(11,455)
Change in other technical reserves	2,589	977	-	-	2,589	977
Policy acquisition costs	(29,885)	(28,357)	-	-	(29,885)	(28,357)
Inspection and supervision fees	(8,820)	(11,977)	-	-	(8,820)	(11,977)
TOTAL UNDERWRITING COSTS AND EXPENSES	(221,463)	(309,797)	-	-	(221,463)	(309,797)
NET UNDERWRITING INCOME / LOSS	17,591	(61,665)	-	-	17,591	(61,665)

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.2 Statement of income (continued)

	2022	2021	2022	2021	2022	2021
	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000	SAR' 000
	Insurance Operations		Shareholders' Operations		Total	
NET UNDERWRITING INCOME / LOSS	**17,591**	**(61,665)**	-	-	**17,591**	**(61,665)**
OTHER INCOME/(EXPENSES)						
Provision for doubtful debts	**(8,874)**	(5,503)	-	-	**(8,874)**	(5,503)
General and administrative expenses	**(53,136)**	(56,353)	**(4,127)**	(3,538)	**(57,263)**	(59,891)
Dividends and investment income	-	-	**1,823**	5,198	**1,823**	5,198
Realized gain from sale of available for sale investments	-	-	**2,928**	455	**2,928**	455
TOTAL OTHER (EXPENSES)/INCOME	**(62,010)**	(61,856)	**624**	2,115	**(61,386)**	(59,741)
Total (loss)/income for the year	**(44,419)**	(123,521)	**624**	2,115	**(43,795)**	(121,406)
Total loss for the year attributable to the shareholders before zakat and income tax	**44,419**	123,521	**(44,419)**	(123,521)	-	-
Total loss for the year attributable to the shareholders before zakat and income tax	-	-	**(43,795)**	(121,406)	**(43,795)**	(121,406)
Zakat and income tax	-	-	**(3,450)**	2,270	**(3,450)**	2,270
Total loss for the year attributable to the shareholders after zakat and income tax	-	-	**(47,245)**	(119,136)	**(47,245)**	(119,136)

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.3 Statement of comprehensive income

	Note	Insurance Operations 2022 SAR' 000	Insurance Operations 2021 SAR' 000	Shareholders' Operations 2022 SAR' 000	Shareholders' Operations 2021 SAR' 000	Total 2022 SAR' 000	Total 2021 SAR' 000
Total loss for the year after zakat and income tax		-	-	**(47,245)**	(119,136)	**(47,245)**	(119,136)
Items that may be reclassified to statement of insurance operations' surplus in subsequent years							
- Change in fair value of available for sale investments		-	-	**560**	1,564	**560**	1,564
- Transferred from fair value reserve to income for the year		-	-	**(2,114)**	(455)	**(2,114)**	(455)
		-	-	**(1,554)**	1,109	**(1,554)**	1.109
Total comprehensive loss for the year after zakat and income tax		-	-	**(48,799)**	(118,027)	**(48,799)**	(118,027)
Other comprehensive loss :							
Items that will not be reclassified to statement of income in subsequent years							
- Actuarial loss/gain on end-of-service benefit	13	-	-	**(1,499)**	292	**(1,499)**	292
Total comprehensive loss for the year		-	-	**(50,298)**	(117,735)	**(50,298)**	(117,735)

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.4 Statement of cash flows

	Note	2022 SAR' 000 Insurance Operations	2021 SAR' 000 Insurance Operations	2022 SAR' 000 Shareholders' Operations	2021 SAR' 000 Shareholders' Operations	2022 SAR' 000 Total	2021 SAR' 000 Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Total loss for the year before zakat and income tax		-	-	(43,795)	(121,406)	(43,795)	(121,406)
Adjustments for non-cash items:							
Depreciation and amortization	9	1,937	1,920	-	-	1,937	1,920
Provision for doubtful debts	6	8,874	5,503	-	-	8,874	5,503
Realized gain on sale of available-for-sale investments		-	-	(2,928)	(455)	(2,928)	(455)
Amortization of held-to-maturity investments		-	-	(127)	(403)	(127)	(403)
Provision for employees' end-of-service benefits	13	1,717	1,574	-	-	1,717	1,574
		12,528	8,997	(3,055)	(858)	9,473	8,139
Changes in operating assets and liabilities:							
Premiums and reinsurers' receivable		8,352	36,161	-	-	8,352	36,161
Reinsurers' share of unearned premiums		(3)	623	-	-	(3)	623
Reinsurers' share of outstanding claims		(421)	10,496	-	-	(421)	10,496
Reinsurers' share of claims incurred but not reported		461	1,496	-	-	461	1,496
Deferred policy acquisition costs		(770)	(1,596)	-	-	(770)	(1,596)
Prepaid expenses and other assets		(19,929)	7,002	(410)	(303)	(20,339)	6,699
Policyholders claims payable		94	2,204	-	-	94	2,204
Accrued expenses and other liabilities		833	(31,885)	(566)	817	267	(31,068)
Reinsurers' balances payable		1,036	(14,374)	-	-	1,036	(14,374)
Unearned premiums		(18,055)	(27,805)	-	-	(18,055)	(27,805)
Unearned reinsurance commission		(28)	(214)	-	-	(28)	(214)
Outstanding claims		2,956	(14,260)	-	-	2,956	(14,260)
Claims incurred but not reported		(12,040)	102	-	-	(12,040)	102
Premium deficiency reserve		(12,849)	11,455	-	-	(12,849)	11,455
Other technical reserves		(2,590)	(977)	-	-	(2,590)	(977)
Surplus distribution payable		(369)	-	-	-	(369)	-
		(40,794)	(12,575)	(47,826)	(121,750)	(88,620)	(134,325)
Employees' end-of-service benefits paid	13	(3,536)	(486)	-	-	(3,536)	(486)
Zakat and income tax paid	14b	-	-	-	(844)	-	(844)
Net cash used in operating activities		(44,330)	(13,061)	(47,826)	(122,594)	(92,156)	(135,655)

25 SUPPLEMENTARY INFORMATION (CONTINUED)

25.4 Statement of cash flows (continued)

	Note	Insurance Operations 2022 SAR' 000	Insurance Operations 2021 SAR' 000	Shareholders' Operations 2022 SAR' 000	Shareholders' Operations 2021 SAR' 000	Total 2022 SAR' 000	Total 2021 SAR' 000
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from maturity of short-term deposit		-	-	**10,000**	30,000	**10,000**	30,000
Proceeds from held to maturity investments	8	-	-	**31,795**	5,250	**31,795**	5,250
Proceeds from sale of available for sale investments		-	-	**12,476**	2,042	**12,476**	2,042
Additions to available for sale investments	8	-	-	**(102,163)**	(2,788)	**(102,163)**	(2,788)
Purchase of property, equipment and intangibles	9	**(2,334)**	(1,704)	-	-	**(2,334)**	(1,704)
Net cash generated from investing activities		(2,334)	(1,704)	(47,892)	34,504	(50,226)	32,800
CASH FLOWS FROM FINANCING ACTIVITY							
Due from / (to) shareholders' operations		**81,457**	466	**(81,457)**	(466)	-	-
Withdrawal from statuary deposit		-	-		16,500	-	16,500
Issue of right shares		-	-	**300,000**	-	**300,000**	-
Change in statutory deposit	11	-	-	**(45,000)**	-	**(45,000)**	-
Transaction cost for capital reduction		-	-	(5,896)	(588)	(5,896)	(588)
Net cash generated from financing activities		81,457	466	167,647	15,446	249,104	15,912
Net change in cash and cash equivalents		34,793	(14,299)	71,929	(72,644)	106,722	(86,943)
Cash and cash equivalents at the beginning of the year		21,368	35,667	25,672	98,316	47,040	133,983
Cash and cash equivalents at the end of the year		56,161	21,368	97,601	25,672	153,762	47,040

26 COMPARATIVE FIGURES

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

27 SIGNIFICANT EVENT DURING THE PERIOD

The Company entered into a Non-Binding Memorandum of Understanding ("MoU") on 03/09/2022 (corresponding to 7 Safar 1444H) with Allied Cooperative Insurance Company ("ACIG") to begin a reciprocal due diligence process and to negotiate the final terms and conditions of the potential Merger ("Merger" or "Transaction") between ACIG and the Company.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 March 2023 (corresponding to 30 Sha'ban 1444H).