ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
As at 31 December 2021

INDEX	PAGE

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of AlJazira Takaful Taawuni Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Key audit matter	How the matter was addressed in our audit

Valuation of technical insurance reserves
 	
The technical insurance reserves include the following:
- Outstanding claims reserves, consisting of reserves for:
  o Reported claims; and
  o Incurred But Not Reported (IBNR) claims
- Unit and mathematical reserves
- Premium deficiency reserve (PDR)
 	
The Company has technical insurance reserves amounting to SAR 1,686 million as of 31 December 2021 (2020: SAR 1,426 million).
	We performed the following procedures:
	
	- Understood, evaluated and tested key controls around the claims administration and valuation of technical insurance reserves.
	
	- Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of technical insurance reserves (continued) The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR, PDR and the use of actuarial and statistical projections involve significant judgements. A range of methods were used by the appointed actuary to determine these claims such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuary to determine these provisions. Underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement pattern of claims. The mathematical and unit reserves represent the investment portion of technical insurance reserves and the amount the Company expects to pay to policy holders and is highly judgmental in particular, mathematical reserve because it requires a number of assumptions to be made with high estimation uncertainty. Small changes in the assumptions, which includes mortality, lapses etc., used to value the reserves can lead to material impact on the valuation of the reserves. The Company principally uses an external actuary (management's actuarial expert) to provide them with an estimate for the valuation of technical insurance reserves. Due to involvement of significant judgment and estimates by the management in valuation of technical insurance reserves, we have determined it to be a key audit matter. *Please refer to notes 3(c) for the accounting policy adopted by the Company and note 2(e) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of reserve for insurance activities and outstanding claims and IBNR. Also, refer to note 12, 13 and 15 for movements in unit reserve, mathematical reserve, premium deficiency reserve and outstanding claims and IBNR.*	- Tested on a sample basis the amounts recorded for reported and paid claims; including comparing the outstanding reported claim amounts to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Checked the completeness and accuracy of the underlying data used by the management in estimating the technical insurance reserves. - Inspected the reconciliation between Available for sale investments held to cover unit-linked liabilities and the unit reserves. - Engaged our actuarial specialists to assess the methodology and reasonableness of the key assumptions and judgments used by the management in determining the technical insurance reserves. - Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Business Combination As disclosed in note 4, effective 28 February 2021 (Legal Day one), Solidarity Saudi Takaful Company ("Solidarity") merged into the Company, after obtaining necessary regulatory approvals. Pursuant to the merger, all of the assets, liabilities and business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company with a total purchase consideration of SAR 318 million. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. During 2021, the Company also completed a comprehensive purchase price allocation ("PPA") exercise, for which management engaged the assistance of an independent third party, and finalized the fair valuation adjustments to the assets acquired and liabilities assumed. As a result, the Company recognised goodwill of SAR 233 million as part of the PPA exercise. We considered this as a key audit matter because, there was inherent uncertainty in the determination of the fair values of the identifiable assets acquired and liabilities assumed in the transaction. *Please refer to notes 3(c) for the accounting policy adopted by the Company and note 2(e) for the significant accounting judgements, estimates and assumptions involved. Also, refer to note 4 for the related disclosures.*	We performed the following procedures: - Considered management process of determining the identifiable assets and liabilities of Solidarity including the recognition of intangible assets and also the unrecorded liabilities. - Inspected the key terms in the merger agreement, the relevant board minutes and the required regulatory approvals to obtain an understanding of the business combination transaction; - Assessed the fair value of the purchase consideration in the business combination transaction; - Assessed the appropriateness of the valuation methodology used by the Company's expert and involved our valuation specialist to assist in evaluating the approach and reasonableness of key assumptions and inputs used in the valuation of the Company's fair value adjustments relative to the assets acquired and liabilities assumed; - Evaluated the competence, capabilities and objectivity of the management's external expert based on their professional qualifications and experience and assessed their independence. - Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill At 31 December 2021, the carrying value of the Company's goodwill amounted to SR 233 million which arose as a result of a business combination in the current year. For impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use (cash-generating unit or CGU), which are largely independent of other assets or other CGUs. Management engaged an independent expert to carry out an impairment exercise as at 31 December 2021 in respect of goodwill by determining a recoverable amount based on market multiple approach, market capitalization and the value-in-use derived from a discounted cashflow model, which was based on the most recent business plan prepared by the management. We considered the impairment assessment of goodwill as a key audit matter due to significant judgments and assumptions made by the management in determining the appropriate carrying values. *Please refer to notes 3(c) for the accounting policy adopted by the Company and note 2(e) for the significant accounting judgements, estimates and assumptions involved. Also, refer to note 4 for the related disclosures.*	Our audit procedures included the following: - Obtained an understanding of management's process and the methodology for the impairment assessment of goodwill; - Assessed the methodology applied in independent expert's report and the conclusions reached therein; - Evaluated the competence, capabilities and objectivity of the management's external expert based on their professional qualifications and experience and assessed their independence. - Assessed the reliability and relevance of data used to calculate value-in-use calculations; - Involved our specialists for assessing the reasonableness of the key assumptions used in the value-in-use (VIU) calculations; and - Assessed the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

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

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

for KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

for Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Salman B. AlSudairy
License No. 283

31 March 2022
Corresponding to 28 Shaban 1443H

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	31 December 2021 SAR'000	31 December 2020 SAR'000
ASSETS			
Cash and cash equivalents	5	**83,023**	106,032
Premium receivable, net	6	**20,286**	2,503
Due from reinsurers, net		**1,385**	-
Reinsurers' share of unearned premium	14	**25,716**	17,423
Reinsurers' share of outstanding claims	15	**52,471**	43,483
Reinsurers' share of claims incurred but not reported	15	**26,924**	15,164
Deferred policy acquisition costs		**2,686**	-
Available for sale investments held to cover unit-linked liabilities	7	**1,524,882**	1,343,823
Investments	8	**622,690**	451,811
Due from a related party	22.2	**60,788**	26
Prepayments and other assets	17	**79,261**	3,760
Property and equipment	9	**3,818**	1,730
Intangible assets	10	**3,562**	-
Right of use assets		**1,212**	-
Goodwill	4	**232,948**	-
Statutory deposit	11	**47,066**	35,000
TOTAL ASSETS		**2,788,718**	2,020,755
LIABILITIES			
Accrued expenses and other liabilities	18	**114,011**	51,430
Lease liabilities		**1,190**	-
Payable to agents, policyholders and claimants		**36,194**	-
Unearned reinsurance commission		**632**	-
Reinsurance balances payable		**34,389**	15,300
Unearned premiums	14	**76,567**	34,533
Outstanding claims	15	**81,740**	49,226
Claims incurred but not reported	15	**62,123**	17,835
Premium deficiency reserve	13.2	**9,617**	-
Unit reserves	12	**1,526,927**	1,349,364
Mathematical reserve	13.1	**5,468**	9,160
Other technical reserves	13.3	**259**	322
Employee benefits	19	**5,248**	3,518
Zakat and income tax	25(b)	**2,182**	1,282
Due to a related party	22.3	**984**	-
Surplus from Insurance Operations		**17,215**	15,837
TOTAL LIABILITIES		**1,974,746**	1,547,807
EQUITY			
Share capital	20	**550,000**	350,000
Share premium	4	**197,286**	-
Statutory reserve	21	**42,632**	38,348
Retained earnings		**22,812**	85,012
TOTAL SHAREHOLDERS' EQUITY		**812,730**	473,360
Remeasurement reserve of employee benefits - related to Insurance Operations		**1,242**	(412)
TOTAL EQUITY		**813,972**	472,948
TOTAL LIABILITIES AND EQUITY		**2,788,718**	2,020,755

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 34 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	2021 SAR'000	2020 SAR'000
REVENUES			
Gross written premium	14	**299,031**	233,934
Investible premium		**(125,493)**	(143,767)
Reinsurance premium ceded – local	14	**(8,889)**	-
Reinsurance premium ceded – foreign	14	**(49,776)**	(35,414)
Excess of loss premiums	14	**(24,147)**	-
Net premium written		**90,726**	54,753
Change in unearned premium, net		**62,823**	5,054
Net premium earned		**153,549**	59,807
Reinsurance commission earned		**1,980**	-
Other underwriting income		**18,319**	20,176
TOTAL REVENUES		**173,848**	79,983
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	15	**(177,741)**	(29,139)
Reinsurers' share of claims paid	15	**53,786**	26,300
Net claims paid	15	**(123,955)**	(2,839)
Changes in outstanding claims, net		**7,019**	(1,640)
Changes in claims incurred but not reported, net		**(318)**	(1,317)
Net claims incurred	15	**(117,254)**	(5,796)
Changes in mathematical reserve	13.1	**3,692**	2,180
Changes in premium deficiency reserve	13.2	**9,627**	-
Changes in other technical reserves	13.3	**18,607**	(322)
Policy acquisition costs		**(12,778)**	(10,047)
Supervision and inspection fees		**(363)**	(1,170)
Other direct underwriting expenses		**(7,108)**	-
TOTAL UNDERWRITING COSTS AND EXPENSES		**(105,577)**	(15,155)
NET UNDERWRITING INCOME		**68,271**	64,828

The accompanying notes 1 to 34 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME (continued)
For the year ended 31 December 2021

	Notes	2021 SAR'000	2020 SAR'000
NET UNDERWRITING INCOME – B/F		**68,271**	64,828
OTHER OPERATING (EXPENSES)/INCOME			
Impairment (loss)/reversal on premium receivable	6	**(6,176)**	36
General and administrative expenses	23	**(68,814)**	(45,413)
Commission income from held to maturity investments	8.1	**12,071**	12,236
Commission income on deposits		**654**	45
Unrealized gain on FVIS investments	8.2	**1,340**	809
Realized gain on FVIS investments		**1,628**	1,809
Dividends from FVIS investments		**162**	220
Other income	24	**14,423**	9,548
TOTAL OTHER OPERATING EXPENSES, NET		**(44,712)**	(20,710)
Income before surplus, Zakat and income tax		**23,559**	44,118
Net income attributed to the Insurance Operations		**(1,598)**	(4,129)
Income for the year attributable to the Shareholders' before Zakat and income tax		**21,961**	39,989
Zakat	25	**(490)**	(1,109)
Income tax	25	**(51)**	(116)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS'		**21,420**	38,764
Weighted average number of ordinary shares outstanding (in thousands of shares) (restated)		**52,650**	40,900
Earnings per share for the year (SAR/share) (Basic and diluted) (restated)	26	**0.407**	0.948

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 34 form an integral part of these financial statements.

	2021 *SAR'000*	*2020* *SAR'000*
Net income for the year attributable to the shareholders'	**21,420**	38,764
Other comprehensive income / (loss):		
Items that will not be reclassified to statement of income in subsequent years		
Actuarial gain / (loss) on defined benefit obligation – related to Insurance operations (note 19)	**1,654**	(363)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**23,074**	38,401

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Shareholders' equity						
	Share capital SAR'000	*Share premium SAR'000*	*Statutory reserve SAR'000*	*Retained earnings SAR'000*	*Total shareholders' equity SAR'000*	*Remeasurement reserve of defined benefit obligation – related to Insurance operations SAR'000*	*Total equity SAR'000*
Balance at 1 January 2021	350,000	-	38,348	85,012	473,360	(412)	472,948
Net income for the year	-	-	-	21,420	21,420	-	21,420
Other comprehensive income (note 19)	-	-	-	-	-	1,654	1,654
Total comprehensive income	-	-	-	21,420	21,420	1,654	23,074
Issue of share capital (note 4 & 20)	120,664	197,286	-	-	317,950	-	317,950
Bonus issue (note 20)	79,336	-	-	(79,336)	-	-	-
Transfer to statutory reserve (note 21)	-	-	4,284	(4,284)	-	-	-
Balance as at 31 December 2021	550,000	197,286	42,632	22,812	812,730	1,242	813,972

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 34 form an integral part of these financial statements.

	Shareholders' equity					
	Share capital SAR'000	*Statutory reserve SAR'000*	*Retained earnings SAR'000*	*Total shareholders' equity SAR'000*	*Remeasurement reserve of defined benefit obligation – related to Insurance operations SAR'000*	*Total equity SAR'000*
Balance at 1 January 2020	350,000	30,595	54,001	434,596	(49)	434,547
Net income for the year	-	-	38,764	38,764	-	38,764
Other comprehensive loss (note 19)	-	-	-	-	(363)	(363)
Total comprehensive income	-	-	38,764	38,764	(363)	38,401
Transfer to statutory reserve (note 21)	-	7,753	(7,753)	-	-	-
Balance as at 31 December 2020	350,000	38,348	85,012	473,360	(412)	472,948

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 34 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOW
For the year ended 31 December 2021

	Notes	2021 SAR'000	2020 SAR'000
OPERATING ACTIVITIES			
Net income attributable to the Shareholders' before Zakat and income tax		**21,961**	39,989
Adjustments for non-cash items:			
Net income attributed to the Insurance Operations		**1,598**	4,129
Impairment loss/(reversal) on premium receivable	6	**6,176**	(36)
Loss on disposal of property and equipment and derecognition of leases		**1,784**	-
Commission from held to maturity investments	8.1	**(12,071)**	(12,236)
Unrealized gain on FVIS investments	8.2	**(1,340)**	(809)
Realized gain on FVIS investments		**(1,628)**	(1,809)
Dividends from FVIS investments		**(162)**	(220)
Depreciation and amortization	23	**4,852**	279
Finance cost on lease liabilities		**182**	-
Employee benefits	19.2	**2,435**	837
		23,787	30,124
Changes in operating assets and liabilities:			
Premium's receivable		**5,122**	(373)
Due from reinsurers		**9,577**	-
Reinsurers' share on unearned premium		**1,938**	(4,500)
Unearned premium		**(64,761)**	(554)
Unearned reinsurance commission		**(724)**	-
Deferred policy acquisition costs		**6,132**	-
Reinsurers' share of outstanding claims		**13,980**	(9,120)
Reinsurers' share of claims incurred but not reported		**(3,479)**	(9,495)
Available for sale investments held to cover unit-linked liabilities		**(181,059)**	(161,718)
Due from related parties		**(4,471)**	83,893
Prepayments and other assets		**(45,752)**	(1,287)
Accrued expenses and other liabilities		**(28,446)**	30,333
Payable to agents, policyholders and claimants		**4,747**	-
Reinsurers' balances payable		**10,916**	4,525
Outstanding claims		**(20,999)**	10,760
Claims incurred but not reported		**3,797**	10,812
Unit reserves		**177,563**	164,458
Mathematical reserve		**(3,692)**	(2,180)
Premium deficiency reserves		**(9,627)**	-
Other technical reserves		**(18,607)**	(11,336)
Cash (used in) / generated from operations		**(124,058)**	134,342
Release of short-term deposit acquired as a result of business combination	4.1.1	**37,500**	-
Increase in statutory deposit	11	**(12,066)**	-
Zakat and income tax paid	25	**(3,039)**	(1,053)
Employee benefits paid	19	**(1,789)**	(306)
Distribution of surplus to policyholders		**(261)**	(20,115)
Net cash (used in)/generated from operating activities		**(103,713)**	112,868
INVESTING ACTIVITIES			
Proceeds from maturity of held to maturity investments	8.1	**151,864**	23,000
Proceeds from disposal of FVIS investments		**173,485**	56,972
Purchase of held to maturity investments	8.1	**(149,202)**	(30,000)
Purchase of FVIS investments	8.2	**(264,950)**	(82,820)
Commission received from held to maturity investments	8.1	**31,442**	7,305
Dividends from FVIS investments		**162**	220
Cash and cash equivalents acquired through business combination	4	**140,850**	-
Proceeds from disposal of property and equipment		**170**	-
Purchase of property and equipment	9	**(568)**	(1,200)
Net cash generated from / (used in) investing activities		**83,253**	**(26,523)**
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(2,549)**	-
Net cash used in financing activities		**(2,549)**	-
Net (decrease) / increase in cash and cash equivalents		**(23,009)**	86,345
Cash and cash equivalents at the beginning of the year		**106,032**	19,687
Cash and cash equivalents at the end of the year	5	**83,023**	106,032

Chairman

Chief Financial Officer

Managing Director

The accompanying notes 1 to 34 form an integral part of these financial statements.

1. GENERAL

AlJazira Takaful Taawuni Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia pursuant to the Council of Ministers' resolution No. 137 dated 27 Rabi' Al-Thani 1431H (corresponding to 12 April 2010) and Royal Decree No. M/23 dated 28 Rabi' Al-Thani 1431H corresponding to 13 April 2010. The Company obtained its Commercial Registration 4030251980 on 2 Ramadan 1434H corresponding to 10 July 2013 and Ministry of Commerce and Industry's Resolution dated 24 Sha'baan 1434H corresponding to 03 July 2013. The Company operates only in the Kingdom of Saudi Arabia. The Company has the following branches, and the assets, liabilities, and results of operations of these branches and offices are included in these financial statements:

Branch	***CR Number***	***Date***
Riyadh	1010519290	24 Jumada Al-Awal 1440
Riyadh	1010339648	01 Rajab 1433
Madinah	4650081845	21 Rabi' Al-Awal 1438
AlKhobar	2051224259	24 Jumada Al-Awal 1440

The registered office address of the Company is:
Al Musadia Plaza (3), Al Madinah Road,
P.O. Box 5215, Jeddah 21422, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 98.16% by Saudi shareholders' and the general public subject to Zakat and 1.84% by non-Saudi shareholders' subject to income tax.

Further to receipt of regulatory approvals, shareholders of the Company and Solidarity Saudi Takaful Company ("Solidarity") in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity pursuant to Articles 191-193 of the Companies Law and Article 49 (a) (1) of the Merger and Acquisitions Regulations issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (the "CMA"). On 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders 'circular and the offering document issued by the Company. Please refer to note 4 for details.

During the year ended 31 December 2019, the Company and Bank AlJazira have received a no objection certificate from SAMA to transfer the insurance portfolio through letter dated 26 Rabi 'Al-Thani 1441H (corresponding to 23 December 2019). The insurance portfolio has been transferred with effect from 01 January 2020 and the financial impact of transfer are as follows:

	Carrying value of assets and liabilities ***SAR'000***
Assets	
Available for sale investments held to cover unit-linked liabilities (note 7)	996,927
Due from Bank AlJazira ("the founding shareholder") (note 22)	53,552
Reinsurers' share of outstanding claims (note 15)	4,941
Total assets	1,055,420
Liabilities	
Outstanding claims (note 15)	4,941
Unit reserves (note 12)	996,927
Mathematical reserve (note 13.1)	10,980
Accrued expenses and other liabilities	14,104
Surplus from Insurance Operations	28,468
Total liabilities	1,055,420

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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: property and equipment, intangible assets, right of use assets, goodwill, statutory deposit, employee benefits, lease liabilities, outstanding claims, claims incurred but not reported, premium deficiency reserve, unit reserves, mathematical reserve, and other technical reserves. All other financial statement line items would generally be classified as current, unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (refer note 31). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statement of income, statement of comprehensive income and statement of cash flows of the insurance operations and shareholders operations which are presented in note 31 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statement of financial position, statement of income, statement of comprehensive income and statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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

b) Basis of measurement

These financial statements are prepared under the historical cost basis, except for available for sale investments held to cover unit-linked liabilities and fair value through income statement (FVIS) investments that are measured at fair value and defined benefits obligations, which are recognised at the present value of future obligation using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and the going concern assumption.

(c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the Company's functional currency. All financial information presented in SAR has been rounded to the nearest thousand except where otherwise indicated.

(d) Fiscal year

The Company follows a fiscal year ending 31 December.

(e) Critical judgments, accounting estimates and assumptions

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

2. BASIS OF PREPARATION (continued)

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020. However, the Company has reviewed the key sources of ongoing estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic and the estimation uncertainties associated with the assets and liabilities transferred as a result of its merger with Solidarity (refer note 4). Management will continue to assess the situation and reflect any required changes in future reporting periods.

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

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

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 claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuary to determine these provisions. Actuary had also used a segmentation approach including analysing 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.

Estimation of premium deficiency 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 company's external, consider the claims and premiums relationship which is expected to apply on unearned portion of the written risks, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

The ultimate liability arising under unit reserve and mathematical reserves

The liability for unit and mathematical reserves is based on current assumptions of the contract, reflecting the best estimate at the time, increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables on standard industry and national tables, which reflect historical experience, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experience. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide-ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. Unit reserve and mathematical reserve is calculated on the basis of an actuarial valuation method by an independent appointed actuary through the use of current unit fund price method. For further details in relation to sources of uncertainty in estimation of future claim payments, please refer note 30.

2. BASIS OF PREPARATION (continued)

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

The ultimate liability arising under unit reserve and mathematical reserves (continued)

Lapse and surrender rates depend on product features, policy duration and external circumstances, such as sale trends. Credible own experience is used in establishing these assumptions.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the valuation of unit reserve and mathematical reserve. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company.

Impairment of receivables

A provision for impairment of premium 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 receivable. 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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculations are based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Going concern

The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(f) Seasonality of operations

Other than normal seasonality in Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect insurance operations of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020, except for the adoption of the amendments to existing standards which has had no material impact on the financial statements of the Company and the impact associated with the assets and liabilities transferred as a result of merger with Solidarity (refer note 4) as follows.

a) Amendments to existing accounting standards

The Company has adopted the following amendment and revision to existing standards and interpretations, which were issued by the International Accounting Standards Board (IASB), have been effective for the first time in 2021 and are accordingly adopted by the Company:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Amendments to existing accounting standards (continued)

Standard / Interpretation	***Description***	***Effective date***
IFRS 16	COVID-19-Related Rent Concessions (Amendment to IFRS 16)	01 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01 January 2021

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

b) Standards issued but not yet effective

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendmen	01 April 2021
IAS 37	Onerous contracts – cost of fulfilling a contract – Amendment	01 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	01 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use - Amendment	01 January 2022
IFRS 3	Reference to the conceptual framework – Amendment	01 January 2022
IFRS 17	Insurance contracts	01 January 2023
IFRS 9	Financial Instruments	01 January 2023
IAS 1	Classification of liabilities as current or non-current – Amendment	01 January 2023
IAS 8	Definition of Accounting Estimate – Amendment	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies – Amendments	01 January 2023

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:

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Classification and measurement (continued)

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Impairment

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

Hedge accounting

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

Effective date

The published effective date of IFRS 9 was 01 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective.

The amendments introduce two alternative options:

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

    a) the effective date of a new insurance contract standard; or
    b) annual reporting periods beginning on or after 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from 01 January 2021 to 01 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly connected with insurance and have not applied IFRS 9 previously; or,

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

The Company has performed a detailed assessment beginning 01 January 2021 which included below:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Impact assessment

As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SAR1,937,676 thousand (2020: SAR 2,015,265 thousand) and SAR 129,468 thousand (2020: SAR 78,753 thousand), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SAR784,474 thousand (2020: SAR 614,679 thousand). Other financial assets consist of available for sale investments amounting to SAR 1,524,882 thousand (2020: SAR 1,343,823 thousand). The Company expects to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVOCI under IFRS 9. As at 31 December 2021 these securities are measured at fair value of SAR1,524,882 thousand (2020: SAR 1,343,823 thousand) with changes in fair value during the year of SAR 216,905 thousand (2020: SAR 163,461 thousand). Other financial assets have a fair value as at 31 December 2021 of SAR155,875 thousand (2020: 56,463 thousand) with a fair value change during the year of SAR 1,340 thousand (2020: SAR 809 thousand). Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 30.

The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. The Company is still finalizing its assessment to measure the impact of applying and implementing IFRS 9. The Company, however, does not expect IFRS 9 to have a material impact on the classification and measurement of financial assets. The management is in the process of building non-performance risk quantification for certain reinsurance held arrangements based on IFRS 9 ECL simplified approach.

IFRS 17 – Insurance Contracts

Overview

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts. The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

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

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

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

b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
   - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
   - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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

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

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

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

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

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

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

Impact
The Company has completed design of IFRS 17 requirements in May 2021 and First Dry Run financial statements were submitted to SAMA on 15th December 2021. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. Following are the main areas under design phase and status of the progress made so far by the Company:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Impact (continued)

Impact Area	Summary of Impact
Financial Impact	Company is still assessing full financial impact along with second Dry Run submission to SAMA which is due on 31st May 2022
Data Impact / IT Systems	▪ Conceptual design of New chart of accounts has been developed for PAA/ GMM / VFA ▪ Actuarial and accounting data requirements have been developed at more granular level ▪ Discount rates will need to be stored for group of contracts and tracked for interest accretion calculation under GMM / VFA ▪ Embedded risk adjustment calculation in the actuarial system. Confidence interval numbers to be sourced for risk adjustment. ▪ Conceptual design for identification of key inputs for onerous contracts test as well as defining ‘facts and circumstance’ for PAA contracts has been developed ▪ Conceptual design for calculation and tracking of contractual service margin ▪ The company has selected system vendor to update the above through an IFRS 17 engine
Process Impact	▪ Conceptual design for Finance, actuarial, underwriting and IT processes has been built suitable for ifrs 17 together with new set of governance framework. New controls dealing with IFRS 17 will be developed during the implementation phase ▪ New reconciliation processes to be put in place between accounting, actuarial and underwriting data sources ▪ Conceptual design for new accounting policies each suitable for measurement model and technical decisions have been identified for each area ▪ Monitor terms and conditions attaching to insurance contracts ▪ Conceptual design for new expense allocation process, acquisition costs, claims settlement costs and underwriting costs has been put in place to identify profitability at a contract level. ▪ System to track coverage period for future products need to be put in place
Impact on Policies & Control Frameworks	▪ New Steering committee for IFRS 17 has been established ▪ Project plan for design and implementation has been set up at activities level

The Company has started with their implementation process and have set up an implementation committee. The company submitted IFRS 17 Phase 3 Implementation plan report to SAMA in May 2021 to comply with the regulatory requirement for the design phase. Further the company is preparing to submit second dry run financial statements and results with SAMA by 31st May 2022.

c) The significant accounting policies used in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and murabaha deposits with an original maturity of three months or less at the date of acquisition. Murabaha deposits represent deposits with local banks that has original maturity of less than three months at the date of acquisition. These are carried at amortised cost and the respective returns are accounted for using an effective profit rate basis.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Operating segments

An operating segment is a component of an entity:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

For management purposes, the Company is organized into business units based on their products and services and has five reportable segments as follows:
- Medical segment offers comprehensive medical care to the members of organizations and their dependents on a group basis and individuals in a wide network of hospitals and medical centers throughout the Kingdom of Saudi Arabia.
- Motor Segment offers Third-Party Liability Vehicle Insurance product, which solely covers the amounts payable to third parties by the insured and a Vehicle comprehensive Insurance product, which covers all losses or damages incurred to the vehicle, including third party liability.
- General segment offers Fire and property insurance products, Marine insurance products, Engineering insurance products, Other liability insurance contracts, and others.
- Individual Life segment offers life insurance products on an individual basis and unit-linked investment-oriented products to individuals
- Group life segment offers life protection programmers to the members of organizations on a group basis, and credit protection benefits in respect of personal loan given by financing organization. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

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

Premium receivable and due from reinsurers

Premium receivable and due from reinsurers are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Premium receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. 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 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. Subsequent recoveries of amounts previously written off are credited in the statement of income. These receivables fall under the scope of IFRS 4 "Insurance Contracts".

Reserve for insurance activities

The provision for investment contract liabilities is calculated on the basis of an actuarial valuation method by independent appointed actuary through the use of the current unit fund price. The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Business combinations

The Company accounts for business combinations (other than business combinations under common control) using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in the statement of profit or loss and other comprehensive income immediately. Transaction costs are expensed as incurred, except related to the issue of debt or equity securities.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Available for sale investments held to cover unit-linked liabilities

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. These investments are initially recorded at fair value. After initial measurement available for sale investments are measured at fair value. Financial assets held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in units of mutual funds, which are readily marketable. Fair value gains and losses are reported as a separate component and included under the reserve for insurance activities.

Held to maturity investments

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.

Fair Value through Income Statement (FVIS) Investments

Investments are classified as Fair Value through Income Statement (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investment classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income.

Dividend on FVIS investments is recognised in the related statements of income.

Fair values of FVIS Investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. 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.

Property and equipment

Property and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Leasehold improvements	Over the lease period or 5 years whichever is shorter
Furniture and fittings	5 years
Computers and office equipment	3 to 5 years
Motor vehicles	4 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Residual values, useful lives and the method of depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of income on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of income. Expenditure for repairs and maintenance is charged to the statement of income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain / loss on sale of property and equipment are included in statement of income.

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

Intangible assets and goodwill

Recognition and measurement
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets, having no physical existence however separately identifiable and providing future economic benefits, are initially recognised at the purchase price and directly attributable costs. Intangible assets are stated at cost less accumulated amortisation and impairment loss if any.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Intangible assets include customer contracts, customer relationships and software that are acquired by the Company and have finite useful lives. These are measured at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses if any.

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

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including internally generated goodwill, is recognised in statement of profit or loss and other comprehensive income as incurred.

Amortisation
Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives and is recognised in the statement of profit or loss and other comprehensive income. Goodwill is not amortised.

The estimated useful lives are as follows:

	Years
Computer software	4 to 8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Leases

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of use assets

Company applies cost model, and measure right of use (RoU) asset at cost;
- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:
- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Prepayments and other assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of insurance operations and accumulated surplus or statement of shareholders’ operations as they are consumed or expire with the passage of time.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Accruals and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. It also includes non-actuarial liabilities booked in respect of the old portfolio which are verified and certified by an independent actuary as at the year end.

Provisions

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

Employee benefits

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

Short term employee benefits
Short term employee benefits obligation are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or any other benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Reinsurance balances payable

Reinsurance balances payable comprise of the amounts payable to various reinsurance companies in respect of reinsurance share of contribution net of reinsurance share of paid claims.

Premiums deposit

Premiums deposit is taken from potential policy holders in respect of initial premium. On completion of mandatory documentation and medical examination of potential policy holder, this deposit transfers to gross written premium.

Zakat and income tax

Zakat
The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat.

Income tax
The income tax expense or credit for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Zakat and income tax (continued)

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

Value Added Tax (VAT)
Output VAT related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers or
(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to the statement of income as expense

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized.

IFRIC Interpretation 23 Uncertainty over income tax treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.
The Interpretation did not have an impact on the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is the difference between the carrying amount and the present value of future cash flows 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.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of income. For assets, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of income.

Fair values

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

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Financial instruments – recognition and measurement

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

Financial assets consist of Cash and cash equivalents, contribution receivables, statutory deposit, available for sale investments held to cover unit-linked liabilities, held to maturity investments, FVIS investments, due from insurance operations and other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, due to shareholders' operations and certain other liabilities.

Date of recognition

Regular way sale and purchases of financial instruments are recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

Recognition and measurement of financial instruments

Financial instruments are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for available for sale investments held to cover unit-linked liabilities and FVIS investments, which are carried at fair value.

Financial instruments – De-recognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of Shareholders' Operations and statement of Insurance Operations and accumulated surplus unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Trade date accounting

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

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Contingent liability

Contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b) a present obligation that arises from past events but is not recognised because:

   i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
   ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognised in the consolidated financial statements and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Company to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

Revenue recognition

Recognition of premium and commission revenue

Premiums and commissions relating to individual life business are taken into income on receipt basis.

Premiums and commissions relating to group life business and non-life business are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- 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 increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business

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

Reinsurance commissions directly relates to the reinsurance contracts are deferred and earned to the statement of income in the same order that commission revenue is recognised over the period of risk.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Revenue recognition (continued)

Investment income

Investment income on held to maturity investments are accounted for on an effective interest basis.

Dividend income

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

Rebate income

Rebate income is calculated in accordance with the terms of agreement with the founding shareholder and is accounted for on an accrual basis.

Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

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

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and is charged to the statement of income as incurred.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Deferred policy acquisition costs

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

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

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

Acquisition fees

Acquisition fees are paid to the distributing shareholder and are charged to expense as and when they are due, as per the terms of the contract.

Expenses

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are recorded in policy acquisition cost. All other operating expenses are classified as general and administrative expenses.

Dividend distribution

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

Surrenders and maturities

Surrenders refer to the partial or full termination of the individual insurance contract. Surrenders are accounted for on the basis of notifications received and are charged to statement of Insurance Operations and accumulated surplus in the year in which they are notified. Maturities refer to the amount given to the insured towards the end of the maturity period of the individual insurance contract. Surrenders and maturities are calculated based on the terms and conditions of the respective individual insurance contract.

Product classification of life insurance contracts

The Company issues life insurance contracts which are linked to investment contracts. Where a contract contains both an investment component and an insurance component and the cash flows from the two components are distinct, the underlying amounts are unbundled. Any contributions relating to the insurance component are accounted for through the statement of Insurance Operations and accumulated surplus and the remaining element is accounted through the insurance operations' statement of financial position.

Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Amounts collected under the contracts are accounted for through the statement of income, and the investible portion of the contribution collected is shown as a deduction from the gross contributions from insurance operations, and transferred to unit linked liabilities. Contribution in respect of insurance contracts, are recognised as revenue over the contribution paying period of the related policy.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) The significant accounting policies used in the preparation of these financial statements are set out below (continued):

Investment contracts

Any contracts with customers not considered insurance contracts under International Financial Reporting Standards are classified as investment contracts. Amounts collected under investment contracts are accounted for through the statement of insurance operations and accumulated surplus, and the investible portion of the contribution collected is shown as a deduction from the gross contributions for the year from insurance operations and transferred to investment contract liabilities (unit-linked contracts).

Foreign currencies

The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of financial position date.

Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4 BUSINESS COMBINATION AND GOODWILL

4.1 Merger with Solidarity

The Company signed a non-binding Memorandum of Understanding (the "MOU") with Solidarity on 23 Shawwal 1440H (corresponding to 26 June 2019) to evaluate a potential merger between the two companies. On 04 Muharram 1442H (corresponding to 23 August 2020), the Company announced entry into a binding merger agreement with Solidarity (the "Merger Agreement") in an effort to acquire all shares held by the shareholders in Solidarity through the submission of an offer to exchange shares without any cash consideration, such exchange to be affected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in Solidarity (the "Merger"). The Company received approval from Saudi Central Bank (SAMA) and Capital Market Authority on the merger transaction on 15 Rabi al-Thani 1442H (corresponding to 30 November 2020) and 08 Jumada al-Awwal 1442H (corresponding to 23 December 2020), respectively.

During the year, the shareholders of the Company and Solidarity in the Extra Ordinary General Meeting held on 13 Jumada al-Thani 1442H (corresponding to 26 January 2021) approved the proposed merger of the Company and Solidarity to be effected by way of a merger pursuant to Articles 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 28 Muharram 1437H (corresponding to 10 November 2015), through the issuance of 0.482656120 new shares in the Company for each share in Solidarity, subject to the terms and conditions of the Merger Agreement. On 14 Rajab 1442 (corresponding to 26 February 2021), the objection period for creditors ended, and there were no outstanding objections from the creditors of Solidarity as of this date. Further, on 16 Rajab 1442 (corresponding to 28 February 2021), the Company announced the enforcement of the decision to merge Solidarity into the Company and transfer all the assets and liabilities of Solidarity to the Company after both the Company and Solidarity had fulfilled the merger terms according to the merger agreement concluded between the two companies as described in the shareholders 'circular and the offering document issued by the Company. On this date, the net assets and business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company.

The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity. The fair value of the newly issued shares of the Company was determined based on the closing market price of the ordinary shares of SAR 26.35 per share on the Saudi Exchange on the last trading date prior to the acquisition date of 28 February 2021. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively.

4 BUSINESS COMBINATION (continued)

4.1 Merger with Solidarity (continued)

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Company being the acquirer and Solidarity being the acquiree. The Company has accounted for the acquisition based on fair values of the acquired assets and assumed liabilities as of 28 February 2021 ("acquisition date"). As required by IFRS 3, the Company has completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition. The management has involved an independent expert and carried out the comprehensive exercise for Purchase Price Allocation and reviewed the fair valuation of the acquired assets and assumed liabilities. Accordingly, Goodwill amounting to SAR 232,948 thousand is recognised in the statement of financial position as a net result of purchase consideration paid amounting to SAR 317,950 thousand and fair value of net assets acquired amounting to SAR 85,002 thousand (refer below).

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of assets acquired and liabilities assumed as at 28 February 2021:

	Insurance Operations SAR'000	Shareholder Operations SAR'000	Total SAR'000
Assets			
Cash and cash equivalents	**48,215**	**92,635**	**140,850**
Short term deposits (note 4.1.1)	**-**	**37,500**	**37,500**
Premium receivable, net	**29,081**	**-**	**29,081**
Due from reinsurers', net	**10,962**	**-**	**10,962**
Investments	**-**	**98,479**	**98,479**
Reinsurers' share of unearned premiums	**10,231**	**-**	**10,231**
Reinsurers' share of outstanding claims	**22,968**	**-**	**22,968**
Reinsurers' share of claims incurred but not reported	**8,281**	**-**	**8,281**
Deferred policy acquisition costs	**8,818**	**-**	**8,818**
Prepayments and other assets	**28,336**	**1,413**	**29,749**
Right of use assets, net	**7,743**	**-**	**7,743**
Property and equipment	**4,447**	**-**	**4,447**
Due from a related party	**-**	**56,291**	**56,291**
Due from Shareholder operations	**147,218**	**-**	**147,218**
Intangible assets	**4,760**	**-**	**4,760**
TOTAL ASSETS	**331,060**	**286,318**	**617,378**
Liabilities			
Payable to agents, policyholders and claimants	**31,447**	**-**	**31,447**
Accrued expenses and other liabilities	**41,141**	**49,887**	**91,028**
Reinsurers' balances payable	**8,173**	**-**	**8,173**
Unearned premium	**106,795**	**-**	**106,795**
Unearned reinsurance commission	**1,356**	**-**	**1,356**
Outstanding claims	**53,513**	**-**	**53,513**
Claims incurred but not reported	**40,491**	**-**	**40,491**
Premium deficiency reserve	**19,244**	**-**	**19,244**
Other technical reserves	**18,544**	**-**	**18,544**
Lease liabilities	**7,407**	**-**	**7,407**
Due to insurance operations	**-**	**147,218**	**147,218**
Due to a related party	**146**	**838**	**984**
Employee benefits	**2,738**	**-**	**2,738**
Zakat and income tax	**-**	**3,398**	**3,398**
Surplus from insurance operations	**40**	**-**	**40**
TOTAL LIABILITIES	**331,035**	**201,341**	**532,376**
Fair value of Solidarity's net assets at Acquisition date			**85,002**
Goodwill arising from the acquisition			**232,948**
Purchase consideration			**317,950**

4.1.1 This amount represents the statutory deposit of Solidarity Saudi Takaful Company which was acquired through a business combination. During the year ended 31 December 2021, the amount was fully withdrawn upon receipt of SAMA approval.

4 BUSINESS COMBINATION (continued)

4.2 Impairment assessment of goodwill

As at 31 December 2021, an independent impairment study was conducted in accordance with the requirements of the International Accounting Standard (IAS 36) to review the carrying amounts of goodwill recognised on acquisition of Solidarity Saudi Takaful Company. For the impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (i.e. non-life insurance portfolio as a single cash-generating unit). Management considers the overall non-life insurance portfolio of the Company as one CGU. The management reviews goodwill annually for impairment testing.

The recoverable amount has been determined based on value in use. As at the reporting date, impairment testing based on expected discounted cash flows was performed. Value in use is based on the estimated future cash flows based on 5-year management's formal business plan projected up to the year 2026, discounted to their present value using the following key assumptions:

Key assumptions	**2021**
Projected EBITDA margin (average of next five years)	**10%**
Discount rate	**13.2%**
Terminal value growth rate	**2%**

The calculation of value-in-use is most sensitive to the assumptions on discount rate applied to cash flow projections and projected EBITDA margins.

Sensitivity to changes in key assumptions:

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are described below.

i) Projected EBITDA margin:

The projected EBITDA margin in the forecasted period has been estimated to be at an average of 10%. If all other assumptions kept the same; a reduction of margin to 8% would give a value-in-use equal to the current carrying amount.

ii) Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 13.2%. If all other assumptions kept the same; an increase in discount rate to 12% would give a value-in-use equal to the current carrying amount.

iii) Terminal value growth rate:

If all other assumptions remain constant; a decrease in projected terminal value growth rate in the forecasted period to 0% would give a value-in-use equal to SR 445,486 thousand which exceeds the carrying value by SR 127,536 thousand.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2021			2020		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Cash in hand	**35**	**-**	**35**			
Cash at banks	**77,593**	**5,395**	**82,988**	9,020	3,532	12,552
Murabaha deposits	**-**	**-**	**-**	63,480	30,000	93,480
Total	**77,628**	**5,395**	**83,023**	72,500	33,532	106,032

Cash and cash equivalents, except for an amount of SAR 39,169 thousand (2020: SAR 500 thousand) are held with Bank AlJazira "the founding shareholder". The Company is in process of finalizing the legal documentation to transfer accounts having deposits amounting to SR 38,763 thousand (2020: nil) in the name of Solidarity to the Company's name.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward-looking factors and any loss given defaults are considered to be negligible.

6. PREMIUM RECEIVABLE, NET

	2021 SAR'000	*2020 SAR'000*
Insurance Operations		
Policyholders	**27,050**	349
Brokers and agents	**5,886**	-
Related parties (note 22.4)	**9,233**	2,356
Gross premium receivable	**42,169**	2,705
Provision for impairment loss	**(21,883)**	(202)
Premium receivable, net	**20,286**	2,503

Movement in provision for impairment loss during the year was as follows:

	2021 SAR'000	*2020 SAR'000*
Balance at beginning of the year	**202**	238
Acquired through business combination (note 4)	**15,505**	-
Provision / (reversal) during the year	**6,176**	(36)
Balance at end of the year	**21,883**	202

6. PREMIUM RECEIVABLE, NET

During the year, a provision for impairment / (reversal) of SAR 6,176 thousand (2020: SAR 36 thousand) was created in respect of gross premium receivable. The age analysis of gross premium receivable arising from insurance contracts is as follows:

		Past due but not impaired	Past due and impaired			
	Neither past due nor impaired	*From 1 to 3 months*	*Above 3 and up to 6 months*	*Above 6 and up to 12 months*	*Above 12 months*	*Total*
			SAR'000			
2021	**4,586**	**6,497**	**3,984**	**4,848**	**22,254**	**42,169**
2020	2	2,354	62	47	240	2,705

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

7. AVAILABLE FOR SALE INVESTMENTS HELD TO COVER UNIT-LINKED LIABILITIES

Insurance Operations

Investment of Insurance operations comprises of units of mutual funds denominated in Saudi Riyal (SAR) and United States Dollars (USD) managed by AlJazira Capital "the founding shareholder".

		2021	*2020*
		SAR'000	*SAR'000*
Insurance Operations	***Denomination***		
AlJazira Saudi Riyal Murabaha Fund	SAR	**151,981**	153,738
AlJazira Diversified Aggressive Fund	SAR	**225,949**	185,453
AlJazira Diversified Balanced Fund	SAR	**65,262**	51,320
AlJazira Diversified Conservative Fund	SAR	**17,227**	11,610
AlJazira International Equities Fund	USD	**258,520**	222,209
AlJazira Saudi Equities Fund	SAR	**364,509**	289,910
AlJazira European Equities Fund	USD	**199,517**	175,771
AlJazira Japanese Equities Fund	USD	**241,917**	253,812
Total		**1,524,882**	1,343,823

The movement in the available for sale investments held to cover unit-linked liabilities during the year is as follows:

	2021	*2020*
	SAR'000	*SAR'000*
Balance at the beginning of the year	**1,343,823**	185,178
Insurance portfolio transfer (note 1)	**-**	996,927
Redemption during the year, net	**(35,846)**	(1,743)
Changes in fair value during the year (note 12)	**216,905**	163,461
Balance at the end of the year	**1,524,882**	1,343,823

8. INVESTMENTS

	2021			2020		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Held to maturity investments (8.1)	**-**	**466,815**	**466,815**	16,370	378,978	395,348
FVIS investments (8.2)	**119,459**	**36,416**	**155,875**	53,479	2,984	56,463
Total	**119,459**	**503,231**	**622,690**	69,849	381,962	451,811

8.1 Held to maturity investments

Held to maturity investments represents Sukuk of SAR 466,815 thousand (2020: SAR 216,826 thousand) with a maturity of 12 to 30 years. Furthermore, held to maturity investment also includes Murabaha deposit of SAR Nil (2020: SAR 178,522 thousand) with a maturity of three years held with Bank AlJazira "the founding shareholder". The average coupon rate on Sukuk is 1.83% to 5.65% per annum (2020: 4.01% to 4.10%), and the commission rate on Murabaha deposits is 3.00% to 3.20% per annum as at 31 December 2021.

The movement in the held to maturity investments during year ended 31 December is as follows:

2021	***Insurance operations SAR'000***	***Shareholders' operations SAR'000***	***Total SAR'000***
Balance at the beginning of the year	**16,370**	**378,978**	**395,348**
Acquired through business combination (note 4)	**-**	**93,500**	**93,500**
Placements during the year	**-**	**149,202**	**149,202**
Commission from held to maturity investments	**11**	**12,060**	**12,071**
Commission received from held to maturity investments	**(1,381)**	**(30,061)**	**(31,442)**
Maturity of held to maturity investments	**(15,000)**	**(136,864)**	**(151,864)**
Balance at the end of the year	**-**	**466,815**	**466,815**

2020	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Balance at the beginning of the year	15,914	367,503	383,417
Placements during the year	-	30,000	30,000
Commission from held to maturity investments	456	11,780	12,236
Disposals during the year	-	(23,000)	(23,000)
Commission received from held to maturity investments	-	(7,305)	(7,305)
Balance at the end of the year	16,370	378,978	395,348

8. INVESTMENTS (continued)

8.2 FVIS investments

The fair value through income statement ("FVIS") investments represent investments in mutual funds managed by 'AlJazira Capital', a founding shareholder, amounting to SAR 150,388 thousand (2020: SAR 53,479 thousand), investment in quoted equity shares amounting to SAR 3,564 thousand (2020: SAR 2,984 thousand) and investment in Najm, amounting to SAR 1,923 thousand (2020: SAR Nil).

Movement in FVIS investments year ended 31 December is as follows:

2021	***Insurance operations SAR'000***	***Shareholders' Operations SAR'000***	***Total SAR'000***
Balance at beginning of the year	**53,479**	**2,984**	**56,463**
Acquired through business combination (note 4)	**-**	**4,979**	**4,979**
Purchases during the year	**89,950**	**175,000**	**264,950**
Disposals during the year	**(24,781)**	**(147,076)**	**(171,857)**
Unrealized gain	**811**	**529**	**1,340**
Balance at the end of the year	**119,459**	**36,416**	**155,875**

2020	*Insurance operations SAR'000*	*Shareholders' Operations SAR'000*	*Total SAR'000*
Balance at beginning of the year	27,997	-	27,997
Purchases during the year	55,000	27,820	82,820
Disposals during the year	(29,965)	(25,198)	(55,163)
Unrealized gain	447	362	809
Balance at the end of the year	53,479	2,984	56,463

9. PROPERTY AND EQUIPMENT

	Leasehold improvements SAR'000	***Furniture and fixtures SAR'000***	***Computers and office equipment SAR'000***	***Motor Vehicles SAR'000***	***Total 2021 SAR'000***	*Total 2020 SAR'000*
Cost:						
At the beginning of the year	**-**	**1,319**	**873**	**-**	**2,192**	992
Acquired through business combination (note 4)	**10,376**	**3,034**	**12,606**	**1,014**	**27,030**	-
Additions	**-**	**119**	**449**	**-**	**568**	1,200
Disposals	**(10,300)**	**(2,952)**	**-**	**(500)**	**(13,752)**	-
As at 31 December	**76**	**1,520**	**13,928**	**514**	**16,038**	2,192
Accumulated depreciation:						
At the beginning of the year	**-**	**97**	**365**	**-**	**462**	183
Acquired through business combination (note 4)	**9,704**	**2,945**	**9,283**	**651**	**22,583**	-
Charge for the year	**257**	**172**	**1,728**	**100**	**2,257**	279
Disposals	**(9,917)**	**(2,907)**	**-**	**(258)**	**(13,082)**	-
As at 31 December	**44**	**307**	**11,376**	**493**	**12,220**	462
Net book value						
As at 31 December	**32**	**1,213**	**2,552**	**21**	**3,818**	1,730

10. INTANGIBLE ASSETS

	2021	*2020*
	SAR'000	*SAR'000*
Cost:		
Acquired through business combination (note 4)	**15,615**	-
As at 31 December	**15,615**	-
Accumulated depreciation:		
Acquired through business combination (note 4)	**10,855**	-
Charge for the year	**1,198**	-
As at 31 December	**12,053**	-
Net book value		
As at 31 December	**3,562**	-

11. STATUTORY DEPOSIT

As required by the Implementation Regulations, the Company is required to deposit 10% of its paid-up capital in a bank designated by SAMA. During the year ended 31 December 2021, as a result of the merger of the Company and Solidarity, the Company deposited an additional amount of SAR 12,066 thousand to meet the requirements of implementing regulations and accordingly the statutory deposit increased to SAR 47,066 thousand. On 30 November 2021, as a result of the bonus share issue, the Company is required to deposit an additional amount of SAR 7,934 thousand to meet the requirements of implementing regulations. Subsequent to year end, the Company deposited further amount of SAR 7,934 thousand.

The amount of statutory deposit cannot be withdrawn without SAMA's approval. This deposit is held with Bank AlJazira "the founding shareholder".

12. UNIT RESERVE

	2021	*2020*
	SAR'000	*SAR'000*
Balance at beginning of the year	**1,349,364**	187,979
Investible premium	**125,493**	143,767
Insurance portfolio transfer (note 1)	**-**	996,927
Surrenders	**(132,884)**	(112,937)
Maturities	**(31,951)**	(29,833)
Change in fair value of available for sale investments (note 7)	**216,905**	163,461
Balance at the end of the year	**1,526,927**	1,349,364

13. MATHEMATICAL, PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES

	2021	*2020*
	SAR'000	*SAR'000*
Mathematical reserve (note 13.1)	**5,468**	9,160
Premium deficiency reserves (note 13.2)	**9,617**	-
Other technical reserves (note 13.3)	**259**	322
	15,344	9,482

13. MATHEMATICAL AND OTHER RESERVES (continued)

Mathematical and other reserves are created, as per the report received from the Independent Actuary, as detailed below:

13.1 Mathematical reserve

	2021 ***SAR'000***	*2020* *SAR'000*
Balance at beginning of the year	**9,160**	360
Insurance portfolio transfer (note 1)	**-**	10,980
Changes in mathematical reserve, net	**(3,692)**	(2,180)
Balance at the end of the year	**5,468**	9,160

13.2 Premium deficiency reserve

	2021 ***SAR'000***	*2020* *SAR'000*
Acquired through business combination (note 4)	**19,244**	-
Changes in premium deficiency reserve	**(9,627)**	-
Balance at the end of the year	**9,617**	-

13.3 Other technical reserves

	2021 ***SAR'000***	*2020* *SAR'000*
Balance at beginning of the year	**322**	-
Acquired through business combination (note 4)	**18,544**	-
Changes in other technical reserves, net	**(18,607)**	322
Balance at the end of the year	**259**	322

14. MOVEMENT IN UNEARNED PREMIUM

	Year ended 31 December 2021			*Year ended 31 December 2020*		
	Gross ***SAR'000***	***Reinsurers' share*** ***SAR'000***	***Net*** ***SAR'000***	*Gross* *SAR'000*	*Reinsurers' share* *SAR'000*	*Net* *SAR'000*
Balance at beginning of the year	**34,533**	**(17,423)**	**17,110**	35,087	(12,923)	22,164
Acquired through business combination (note 4)	**106,795**	**(10,231)**	**96,564**	-	-	-
Premium written / (ceded) during the year	**299,031**	**(82,812)**	**216,219**	233,934	(35,414)	198,520
	440,359	**(110,466)**	**329,893**	269,021	(48,337)	220,684
Investible premium and premium earned during the year	**(363,792)**	**84,750**	**(279,042)**	(234,488)	30,914	(203,574)
Balance at the end of the year	**76,567**	**(25,716)**	**50,851**	34,533	(17,423)	17,110

15. OUTSTANDING CLAIMS INCLUDING CLAIMS INCURRED BUT NOT REPORTED (IBNR)

	Year ended 31 December 2021			*Year ended 31 December 2020*		
	Gross	***Reinsurers' share***	***Net***	*Gross*	*Reinsurers' share*	*Net*
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
At beginning of the year						
Reported claims	**49,226**	**(43,483)**	**5,743**	33,525	(29,422)	4,103
IBNR	**17,835**	**(15,164)**	**2,671**	7,023	(5,669)	1,354
	67,061	**(58,647)**	**8,414**	40,548	(35,091)	5,457
Incurred during the year	**160,539**	**(43,285)**	**117,254**	50,711	(44,915)	5,796
Insurance portfolio transfer (note 1)	**-**	**-**	**-**	4,941	(4,941)	-
Acquired through business combination (note 4)	**94,004**	**(31,249)**	**62,755**	-	-	-
(Paid) / recovered during the year	**(177,741)**	**53,786**	**(123,955)**	(29,139)	26,300	(2,839)
At end of the year	**143,863**	**(79,395)**	**64,468**	67,061	(58,647)	8,414
At end of the year						
Reported claims	**81,740**	**(52,471)**	**29,269**	49,226	(43,483)	5,743
IBNR	**62,123**	**(26,924)**	**35,199**	17,835	(15,164)	2,671
	143,863	**(79,395)**	**64,468**	67,061	(58,647)	8,414

16. CLAIMS DEVELOPMENT TABLE

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

The Company aims to maintain adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which result in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfer much of this release to the current accident year reserves when the development of claim is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

16. CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis for all the segments by accident year spanning a number of financial years is as follows:

Gross *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	697,826	94,251	123,066	287,934	308,297	**162,510**	
One year later	596,107	111,002	160,835	341,896	357,992		
Two years later	598,908	112,055	164,257	345,346			
Three years later	601,091	116,339	164,445				
Four years later	602,478	116,364					
Five years later	602,715						
Current estimate of cumulative claims incurred	602,715	116,364	164,445	345,346	357,992	**162,510**	**1,749,372**
Cumulative payments to date	(597,386)	(108,282)	(153,704)	(332,601)	(342,948)	**(132,711)**	**(1,667,632)**
Total reported claims	5,329	8,082	10,741	12,745	15,044	**29,799**	**81,740**
IBNR (note 15)							**62,123**
Total gross outstanding claims (note 15)							**143,863**

Net *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	622,187	69,493	89,826	237,349	247,869	**131,311**	
One year later	529,720	81,209	115,744	287,096	291,605		
Two years later	532,051	81,996	118,006	289,050			
Three years later	533,684	82,503	118,189				
Four years later	534,444	82,528					
Five years later	534,499						
Current estimate of cumulative claims incurred	534,499	82,528	118,189	289,050	291,605	**131,311**	**1,447,182**
Cumulative payments to date	(531,815)	(80,276)	(114,402)	(285,520)	(285,108)	**(120,792)**	**(1,417,913)**
Total reported claims	2,684	2,252	3,787	3,530	6,497	**10,519**	**29,269**
IBNR, net (note 15)							**35,199**
Total net outstanding claims (note 15)							**64,468**

16. CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis for the group life and individual life segments by accident year spanning a number of financial years is as follows:

Gross *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	53,719	10,248	6,226	20,746	29,925	**30,579**	
One year later	51,508	15,380	19,657	25,459	36,990		
Two years later	52,142	15,798	20,921	27,135			
Three years later	52,948	19,814	20,926				
Four years later	53,679	19,814					
Five years later	53,912						
Current estimate of cumulative claims incurred	53,912	19,814	20,926	27,135	36,990	**30,579**	**189,356**
Cumulative payments to date	(51,312)	(15,235)	(16,681)	(22,339)	(28,716)	**(12,551)**	**(146,834)**
Total reported claims	2,600	4,579	4,245	4,796	8,274	**18,028**	**42,522**
IBNR							**23,598**
Total gross outstanding claims							**66,120**

Net *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	4,403	2,023	906	2,142	3,463	**4,794**	
One year later	4,247	2,754	2,555	2,791	5,250		
Two years later	4,411	2,906	2,659	2,971			
Three years later	4,667	3,146	2,659				
Four years later	4,771	3,146					
Five years later	4,822						
Current estimate of cumulative claims incurred	4,822	3,146	2,659	2,971	5,250	**4,794**	**23,642**
Cumulative payments to date	(4,412)	(2,632)	(2,189)	(2,270)	(3,634)	**(2,077)**	**(17,214)**
Total reported claims	410	514	470	701	1,616	**2,717**	**6,428**
IBNR, net							**3,441**
Total net outstanding claims							**9,869**

16. CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis for the medical, motor and general segments by accident year spanning a number of financial years is as follows:

Gross *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	644,107	84,003	116,840	267,188	278,372	**131,931**	
One year later	544,599	95,622	141,178	316,437	321,002		
Two years later	546,766	96,257	143,336	318,211			
Three years later	548,143	96,525	143,519				
Four years later	548,799	96,550					
Five years later	548,803						
Current estimate of cumulative claims incurred	548,803	96,550	143,519	318,211	321,002	**131,931**	**1,560,016**
Cumulative payments to date	(546,074)	(93,047)	(137,023)	(310,262)	(314,232)	**(120,160)**	**(1,520,798)**
Total reported claims	2,729	3,503	6,496	7,949	6,770	**11,771**	**39,218**
IBNR							**38,525**
Total gross outstanding claims							**77,743**

Net *Accident year*	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	***2021***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	617,784	67,470	88,920	235,207	244,406	**126,517**	
One year later	525,473	78,455	113,189	284,305	286,355		
Two years later	527,640	79,090	115,347	286,079			
Three years later	529,017	79,357	115,530				
Four years later	529,673	79,382					
Five years later	529,677						
Current estimate of cumulative claims incurred	529,677	79,382	115,530	286,079	286,355	**126,517**	**1,423,540**
Cumulative payments to date	(527,403)	(77,644)	(112,213)	(283,250)	(281,474)	**(118,715)**	**(1,400,699)**
Total reported claims	2,274	1,738	3,317	2,829	4,881	**7,802**	**22,841**
IBNR, net							**31,758**
Total net outstanding claims							**54,599**

17. PREPAYMENTS AND OTHER ASSETS

	2021			2020		
	Insurance operations	**Shareholders 'operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000	**SAR'000**	**SAR'000**	SAR'000	SAR'000	SAR'000
Amounts held for investments with Custodians	**-**	**55,793**	**55,793**	-	-	-
Advances and other receivables	**13,220**	**11**	**13,231**	2,913	-	2,913
Prepaid expenses	**1,616**	**6**	**1,622**	847	-	847
Other assets	**8,269**	**346**	**8,615**	-	-	-
Total	**23,105**	**56,156**	**79,261**	3,760	-	3,760

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021			*2020*		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
Accrued expenses	**5,642**	**1,189**	**6,831**	6,413	2,497	8,910
Premiums received in advance	**15,689**	**-**	**15,689**	6,696	-	6,696
Non actuarial liabilities pertaining to old portfolio	**13,948**	**-**	**13,948**	13,777	-	13,777
Other liabilities	**22,376**	**55,167**	**77,543**	16,992	5,055	22,047
Total	**57,655**	**56,356**	**114,011**	43,878	7,552	51,430

19. EMPLOYEE BENEFITS

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:

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

	2021	*2020*
	SAR'000	*SAR'000*
Present value of employee benefit obligation	**5,248**	3,518

19.2 Movement of defined benefit obligation

	2021	*2020*
	SAR'000	*SAR'000*
Opening balance	**3,518**	2,624
Acquired through business combination (note 4)	**2,738**	-
Charge to statement of income	**2,435**	837
Actuarial (gain) / loss from experience adjustments	**(1,654)**	363
Benefits paid during the year	**(1,789)**	(306)
Closing balance	**5,248**	3,518

19. EMPLOYEE BENEFITS (continued)

19.3 Reconciliation of present value of defined benefit obligation

	2021 SAR'000	*2020 SAR'000*
Balance at beginning of the year	**3,518**	2,624
Acquired through business combination (note 4)	**2,738**	-
Current service costs	**1,580**	701
Past service costs	**752**	47
Financial costs	**103**	89
Actuarial (gain) / loss from experience adjustments	**(1,654)**	363
Benefits paid during the year	**(1,789)**	(306)
Balance at end of the year	**5,248**	3,518

19.4 Principal actuarial assumptions

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

	2021	*2020*
Discount rate	**Yield on Government Sukuk/Bonds in KSA issued from September 2017 to November 2021**	2.85%
Expected rate of increase in salary level across different age bands	**5.00%**	5.00%
Normal retirement age	**60 years**	60 years
Number of employees	**165**	108

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

	2021 SAR'000	*2020 SAR'000*
Discount rate		
- Increase by 1%	**(335)**	(326)
- Decrease by 1%	**378**	381
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**365**	366
- Decrease by 1%	**(329)**	(320)

Projected future benefit payment (6 years)	***2021 SAR'000***	*2020 SAR'000*
2022	**461**	200
2023	**437**	167
2024	**409**	176
2025	**407**	189
2026	**423**	223
2027	**549**	-

The average duration of the employee benefits at the end of the reporting period is 5.75 years (2020: 2.7 years).

20. SHARE CAPITAL

During the year ended 31 December 2021, as a result of the merger of the Company and Solidarity, the Company issued share capital of SAR 120,664 thousand (consisting of 12,066,403 new shares of SAR 10 each) to the shareholders of Solidarity (refer note 4). Moreover, on 30 November 2021, as a result of the bonus share issue, the Company further increased its share capital by SAR 79,336 thousand (consists of 7,933,597 shares of SAR 10 each). Accordingly, the authorized, issued and paid-up share capital of the Company is SAR 550 million consisting of 55 million shares (2020: SAR 350 million consisting of 35 million shares) of SAR 10 each and subscribed by the following:

20. SHARE CAPITAL (continued)

	Percentage of holding		Amount of share capital	
	2021	2020	**2021**	2020
			SAR'000	SAR'000
Founding Shareholders	**29.75%**	44.71%	**163,625**	156,485
Solidarity Group Holding (Bahrain Shareholding Company)	**7.05%**	-	**38,775**	-
General public	**63.20%**	55.29%	**347,600**	193,515
	100%	100%	**550,000**	350,000

21. STATUTORY RESERVE

As required by Saudi Arabian Insurance Laws and Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The Company makes this transfer on an annual basis at 31 December each year. As at 31 December 2021, SAR 4,284 thousand (2020: SAR 7,753 thousand) had been set aside as a statutory reserve. The statutory reserve is not available for distribution.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company in the normal course of business, enters into transactions with other entities that fall within the definition of the related party contained in the International Accounting Standard (IAS) – 24. Related parties represent major shareholders', directors and key management personnel of the Company and entities controlled, jointly controlled, or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions approved by management.

22.1 In addition to the disclosures set out in notes 5, 6, 7 and 8 following are the details of major related party transactions during the year ended:

Related party	Nature of transactions	Amount of transactions	
		2021	2020
		SAR'000	SAR'000
Bank AlJazira (Founding Shareholder)	Commission earned from held to maturity investment	**-**	5,620
	Commission income on deposits	**54**	45
	Policy acquisition costs	**-**	5,400
	Gross premium written	**55,965**	48,796
	Claims paid	**32,277**	25,290
	Insurance portfolio transfer (note 1)	**-**	53,552
	Surplus distributed	**-**	957
	Issue of bonus shares	**17,699**	-
	Dividends on FVIS investments	**7**	-
	Purchase of Sukuks	**99,251**	-
Board of Directors	Board of directors' remuneration and fee	**1,532**	918
Consolidated Brothers Company (Founding Shareholder)	Issue of bonus shares	**2,950**	-
	Gross premium written	**10**	-
AlJazira Capital (Founding Shareholder)	Profit earned on mutual funds	**1,960**	711
	Other income	**12,978**	9,230
	Custodian charges	**202**	-
	Issue of bonus shares	**2,950**	
Aman Insurance Agency Company	Policy acquisition costs	**-**	2,785
Solidarity Group Holding (Bahrain Shareholding Company)	Reinsurance premium ceded	**2,705**	-
	Issue of bonus shares	**5,593**	-
Board of directors & committee members	Gross premium written	**65**	55
Key management personnel	Short-term employee benefits	**7,414**	7,166
	Gross premium written	**46**	57

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

22.2 Amount due from a related party

	2021	*2020*
	SAR'000	*SAR'000*
AlJazira Capital (note 22.2.1)	**60,788**	26
	60,788	26

22.2.1 This amount represents cash held in investment accounts managed by Al Jazira Capital. The Company is in process of finalizing the legal documentation to transfer accounts in the name of Solidarity to the Company's name.

22.3 Amount due to a related party

	2021	*2020*
	SAR'000	*SAR'000*
Solidarity Group Holding (Bahrain Shareholding Company)	**984**	-
	984	-

22.4 Premium receivable, net shown in the statement of financial position includes SAR 9,233 thousand (2020: SAR 2,356 thousand) from Bank AlJazira (the founding shareholder).

22.5 Outstanding claims shown in the statement of financial position includes SAR 35,783 thousand (2020: SAR 41,250 thousand) to Bank AlJazira (the founding shareholder).

23. GENERAL AND ADMINISTRATIVE EXPENSES, NET

	2021			*2020*		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Employee related expenses	**39,759**	**-**	**39,759**	25,393	-	25,393
Legal and professional fees	**5,830**	**4,110**	**9,940**	2,505	3,795	6,300
Repair and maintenance	**1,057**	**-**	**1,057**	1,777	-	1,777
VAT expenses	**1,530**	**-**	**1,530**	1,500	-	1,500
Committees' expenses (refer note (a) below)	**-**	**832**	**832**	-	1,153	1,153
Computer expenses	**4,050**	**-**	**4,050**	1,014	-	1,014
Board remuneration (refer note (b) below)	**-**	**972**	**972**	-	798	798
Utilities, postage and telecommunications	**994**	**-**	**994**	582	-	582
Rent	**1,984**	**-**	**1,984**	466	-	466
Depreciation and amortization	**4,852**	**-**	**4,852**	279	-	279
Travelling, hotel and conveyance	**405**	**39**	**444**	193	63	256
Advertising and marketing	**622**	**-**	**622**	223	-	223
Board attendance fees (refer note (c) below)	**-**	**560**	**560**	-	120	120
Printing and stationery	**123**	**-**	**123**	75	-	75
Other expenses	**294**	**801**	**1,095**	298	5,179	5,477
Total	**61,500**	**7,314**	**68,814**	34,305	11,108	45,413

a) Committee expenses include fees of non-board members for attending the committee meetings and other related expenses.
b) Board remuneration is paid in accordance with By-Laws of the Company.
c) Board attendance fee represents allowances for attending general assembly meetings, board meetings and committee meetings.

24. OTHER INCOME

	2021 SAR'000	*2020 SAR'000*
Rebate income from AlJazira Capital "the founding shareholder"	**12,888**	9,234
Others	**1,535**	314
	14,423	9,548

25. ZAKAT AND INCOME TAX

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

25. ZAKAT AND INCOME TAX (continued)

(a) Zakat

The Zakat provision for the year, attributable to the Saudi shareholders, is based on the following:

	2021 SAR'000	*2020 SAR'000*
Equity	**860,546**	428,968
Provisions and other adjustments	**3,672**	2,825
Book value of long-term assets	**(892,211)**	(1,643,034)
Zakat base	**(27,993)**	(1,211,241)
Zakatable income for the year	**19,584**	43,709
Higher of Zakat base and Zakatable income for the year	**19,841**	43,709
Attributable to Saudi shareholders @ 98.705% (2020: 98.705%)	**19,584**	43,143
Zakat @ 2.578%	**490**	1,109
Attributable income to Non-Saudi Shareholder @ 1.295% (2020: 1.295%)	**257**	497
Income Tax @ 20%	**51**	116
Zakat and income tax	**541**	1,225

The differences between the financial and the "Zakatable" results are mainly due to certain adjustments in accordance with the relevant fiscal regulations. The movement in the Zakat payable during the year ended 31 December is as follows:

	2021 SAR'000	*2020 SAR'000*
Balance at the beginning of the year	**1,137**	982
Acquired through business combination (note 4)	**4,119**	-
Zakat for the year	**490**	1,109
Zakat paid during the year	**(2,908)**	(954)
Balance at the end of the year	**2,838**	1,137

(b) Income tax

Income tax has been provided based on the adjusted income attributable to the non-Saudi shareholders. The movement in income tax payable during the year ended 31 December is as follows:

	2021 SAR'000	*2020 SAR'000*
Balance at the beginning of the year	**145**	128
Acquired through business combination (note 4)	**(721)**	-
Income tax for the year	**51**	116
Income tax paid during the year	**(131)**	(99)
Balance at the end of the year	**(656)**	145
Zakat at the end of the year	**2,838**	1,137
Income tax at the end of the year	**(656)**	145
Total Zakat and Income tax at the end of the year	**2,182**	1,282

25. ZAKAT AND INCOME TAX (continued)

(c) Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2020 with Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained restricted certificates.

During 2019, ZATCA has issued initial assessments for the years 2014 through 2018, disallowing investments from the Zakat base and withholding tax liability with additional Zakat liability of SAR 41,166 thousand. The Company has filed an appeal against these initial assessments. The Preliminary Appeal Committee (“PAC”) issued their decision upholding ZATCA’s treatment. The Company has filed an appeal against the PAC decision with the Higher Appeal Committee (“HAC”). The management and their independent Zakat and income tax consultant strongly believe that the Company is in a strong position with respect to the aforementioned appeal.

In addition, Solidarity has also submitted its Zakat and income tax returns for the years 2014 to 2020 with ZATCA and obtained restricted certificates. During the previous years, ZATCA has issued the following initial assessments in respect of Solidarity:

- Income tax, zakat and withholding tax for the years amounting to SAR 18.5 million;
- Zakat and income tax assessment for the years from 2013 to 2016 amounting to SAR 22.1 million;
- Withholding tax assessment for 2017 and 2018 amounting to SAR 1.9 million;
- VAT assessment for the year 2018 and for November and December 2019 amounting to SAR 2.8 million;
- Zakat assessment for the year 2017 amounting to SAR 4.2 million.

Solidarity has filed an appeal against these initial assessments and is confident of a favorable outcome. The management of the Company and their independent Zakat and income tax consultant strongly believe that Solidarity is in a strong position with respect to the aforementioned appeal.

26. EARNINGS PER SHARE

The basic earnings per share have been calculated by dividing the net income for the year attributable to the shareholders by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share is not applicable to the Company.

	2021 ***SAR'000***	*2020* *SAR'000*
Net income for the year attributable to the shareholders	**21,420**	38,764
Weighted average number of ordinary shares – restated	**52,650**	40,900
Earnings per share (in SAR) – restated	**0.407**	0.948

27. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to contingencies disclosed in note 25, as at the statement of financial position date, the Company had no contingent liabilities and commitments (2020: SAR Nil).

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

a) 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 Company’s financial assets consist of cash and cash equivalents, contribution receivables, available for sale investments held to cover unit-linked liabilities, FVIS investments, held to maturity investments, other assets, statutory deposit, due from related parties and its financial liabilities consist of other liabilities, reinsurance balances payable and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 31 December 2021, apart from the investments which are carried at fair value (notes 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date (i.e. without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table presents the Company's financial assets that are measured at fair values:

			2021 (SAR'000) **Fair Value**		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Available for sale investments held to cover unit- linked liabilities	**1,524,882**	**-**	**1,524,882**	**-**	**1,524,882**
FVIS investments	**155,875**	**3,564**	**150,388**	**1,923**	**155,875**
Total	**1,680,757**	**3,564**	**1,675,270**	**1,923**	**1,680,757**

			2020 (SAR'000) Fair Value		
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Available for sale investments held to cover unit-linked liabilities	1,343,823	-	1,343,823	-	1,343,823
FVIS investments	56,463	2,984	53,479	-	56,463
Total	1,400,286	2,984	1,397,302	-	1,400,286

There are no financial assets where fair value is measurable as Level 3 fair value.

There are no transfers between Level 1, Level 2 and Level 3 during the year.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2021	**Carrying value**		
	Amortised Cost	***Fair value***	***Total***
	SAR'000	***SAR'000***	***SAR'000***
Cash and cash equivalents	**83,023**	**-**	**83,023**
Premium receivable	**42,169**	**-**	**42,169**
Due from reinsurers	**1,385**	**-**	**1,385**
Reinsurance share of outstanding claims	**52,471**	**-**	**52,471**
Reinsurers' share of claims incurred but not reported	**26,924**	**-**	**26,924**
Available for sale investments held to cover unit-linked liabilities	**-**	**1,524,882**	**1,524,882**
FVIS investments	**-**	**155,875**	**155,875**
Held to maturity investments	**466,815**	**-**	**466,815**
Due from a related party	**60,788**	**-**	**60,788**
Amounts held for investments with custodians	**55,793**	**-**	**55,793**
Other receivables	**7,332**	**-**	**7,332**
Statutory deposit	**47,066**	**-**	**47,066**
	843,766	**1,680,757**	**2,524,523**

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

2020	Carrying value		
	Amortised Cost	*Fair Value*	*Total*
	SAR'000	*SAR'000*	*SAR'000*
Cash and cash equivalents	106,032	-	106,032
Premium receivable	2,705	-	2,705
Due from reinsurers	-	-	-
Reinsurance share of outstanding claims	43,483	-	43,483
Reinsurers' share of claims incurred but not reported	15,164	-	15,164
Available for sale investments held to cover unit-linked liabilities	-	1,343,823	1,343,823
FVIS investments	-	56,463	56,463
Held to maturity investments	395,348	-	395,348
Due from a related party	26	-	26
Other receivables	2,913	-	2,913
Statutory deposit	35,000	-	35,000
	600,671	1,400,286	2,000,957

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2021 and 31 December 2020, as well as the significant unobservable inputs used.

Type	***Valuation technique***	***Significant unobservable inputs***	***Inter-relationship between significant unobservable inputs and fair value measurement***
Sukuks and mutual funds	Valuations are based on quotations as received by the custodians at the end of each period and on published Net Asset Value (NAV) closing prices.	Not applicable	Not applicable

29. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as Managing Director that makes strategic decisions. For management purposes, the activities of Insurance Operations, which are all in the Kingdom of Saudi Arabia, are reported under four business units, as detailed below:

The medical segment offers comprehensive medical care to the members of organizations and their dependents on a group basis and individuals in a wide network of hospitals and medical centers throughout the Kingdom of Saudi Arabia.

The Motor Segment offers Third-Party Liability Vehicle Insurance product, which solely covers the amounts payable to third parties by the insured and a Vehicle comprehensive Insurance product, which covers all losses or damages incurred to the vehicle, including third party liability.

The general segment offers Fire and property insurance products, Marine insurance products, Engineering insurance products, Other liability insurance contracts, and others.

Life segment offers life insurance products on an individual basis, including unit-linked investment-oriented products to individuals and offers life protection programmers to the members of organizations on a group basis, and credit protection benefits in respect of personal loan given by financing organization. This segment also includes protection benefits in respect of various credit facilities other than personal loans extended by the financing organizations to its customers.

29. OPERATING SEGMENTS (continued)

The unallocated assets and liabilities are not reported to the Chief Operating Decision Maker under related segments and are monitored on a centralized basis.

Operating segments do not include Shareholders' operations of the Company.

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

	2021					
	Medical *SAR'000*	**Motor** *SAR'000*	**General** *SAR'000*	**Individual Life** *SAR'000*	**Group Life** *SAR'000*	**Total** *SAR'000*
ASSETS						
Reinsurers' share of unearned premium	-	-	5,252	-	20,464	25,716
Reinsurers' share of outstanding claims	1,883	1,749	12,710	3,373	32,756	52,471
Reinsurers' share of claims incurred but not reported	-	-	6,767	-	20,157	26,924
Deferred policy acquisition costs	1,737	426	523	-	-	2,686
Available for sale investments held to cover unit-linked liabilities	-	-	-	1,524,882	-	1,524,882
Total segment assets	3,620	2,175	25,252	1,528,255	73,377	1,632,679
Unallocated assets						
Cash and cash equivalents						83,023
Premium receivable, net						20,286
Due from reinsurers, net						1,385
Investments						622,690
Due from a related party						60,788
Prepayments and other assets						79,261
Property and equipment						3,818
Intangible assets						3,562
Right of use assets						1,212
Goodwill						232,948
Statutory deposit						47,066
Total assets						2,788,718
LIABILITIES						
Unearned reinsurance commission	-	-	632	-	-	632
Unearned premium	20,944	8,138	7,404	-	40,081	76,567
Outstanding claims	6,086	13,030	20,100	3,837	38,687	81,740
Claims incurred but not reported	14,751	14,628	9,146	-	23,598	62,123
Premium deficiency reserve	6,980	1,048	1,589	-	-	9,617
Unit reserves	-	-	-	1,526,927	-	1,526,927
Mathematical reserve	-	-	-	5,468	-	5,468
Other technical reserves	-	-	-	-	259	259
Total segment liabilities	48,761	36,844	38,871	1,536,232	102,625	1,763,333
Unallocated liabilities and surplus						
Reinsurance balances payable						34,389
Accrued expenses and other liabilities						114,011
Lease liabilities						1,190
Payable to agents, policyholders and claimants						36,194
Employee benefits						5,248
Zakat and income tax						2,182
Due to a related party						984
Surplus from Insurance Operations						17,215
TOTAL LIABILITIES						1,974,746
EQUITY						
Share capital						550,000
Share Premium						197,286
Statutory reserve						42,632
Retained earnings						22,812
TOTAL SHAREHOLDERS' EQUITY						812,730
Remeasurement reserve of employee benefits - related to Insurance Operations						1,242
TOTAL EQUITY						813,972
TOTAL LIABILITIES AND EQUITY						2,788,718

29. OPERATING SEGMENTS (continued)

	2020		
	Individual SAR'000	*Group SAR'000*	*Total SAR'000*
ASSETS			
Premium receivable, net	-	2,503	2,503
Reinsurers' share of unearned premium	-	17,423	17,423
Reinsurers' share of outstanding claims	6,212	37,271	43,483
Reinsurers' share of claims incurred but not reported	-	15,164	15,164
Available for sale investments held to cover unit link liabilities	1,343,823	-	1,343,823
	1,350,035	72,361	1,422,396
Unallocated assets:			
Cash and cash equivalents			106,032
Investments			451,811
Due from related parties			26
Prepayments and other assets			3,760
Property and equipment			1,730
Statutory deposit			35,000
TOTAL ASSETS			2,020,755
LIABILITIES			
Reinsurance balances payable	1,333	13,967	15,300
Unearned premium	-	34,533	34,533
Outstanding claims	6,439	42,787	49,226
Claims incurred but not reported	-	17,835	17,835
Unit reserve	1,349,364	-	1,349,364
Mathematical reserve	9,160	-	9,160
Other technical reserves	322	-	322
	1,366,618	109,122	1,475,740
Unallocated liabilities and surplus:			
Accrued expenses and other liabilities			51,430
Employee benefits			3,518
Zakat and income tax			1,282
Surplus from Insurance Operations			15,837
TOTAL LIABILITIES			1,547,807
EQUITY			
Share capital			350,000
Statutory reserve			38,348
Retained earnings			85,012
TOTAL SHAREHOLDERS' EQUITY			473,360
Remeasurement reserve of defined benefit obligation - related to insurance operations			(412)
TOTAL EQUITY			472,948
TOTAL LIABILITIES AND EQUITY			2,020,755

29. OPERATING SEGMENTS (continued)

	For the year ended 31 December 2021					
	Medical	Motor	General	Individual Life	Group Life	Total Insurance Operations
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*
REVENUES						
Gross written premium:						
Individual	**-**	**11,856**	**783**	**167,576**	**-**	**180,215**
Very Small Enterprises	**10,246**	**-**	**-**	**-**	**-**	**10,246**
Small Enterprises	**14,669**	**98**	**-**	**-**	**133**	**14,900**
Medium Enterprises	**13,137**	**3,293**	**14,125**	**-**	**220**	**30,775**
Corporate	**5,976**	**342**	**-**	**-**	**56,577**	**62,895**
Total gross written premium	**44,028**	**15,589**	**14,908**	**167,576**	**56,930**	**299,031**
Investible premium	**-**	**-**	**-**	**(125,493)**	**-**	**(125,493)**
Reinsurance premium ceded:						
Local	**-**	**-**	**(8,889)**	**-**	**-**	**(8,889)**
Foreign	**-**	**-**	**(4,073)**	**(11,220)**	**(34,483)**	**(49,776)**
Excess of loss premiums	**(19,752)**	**(3,564)**	**(831)**	**-**	**-**	**(24,147)**
Net premium written	**24,276**	**12,025**	**1,115**	**30,863**	**22,447**	**90,726**
Change in unearned premium, net	**47,771**	**15,934**	**926**		**(1,808)**	**62,823**
Net premium earned	**72,047**	**27,959**	**2,041**	**30,863**	**20,639**	**153,549**
Reinsurance commission earned	**-**	**-**	**1,980**	**-**	**-**	**1,980**
Other underwriting income	**4,964**	**63**	**3**	**7,551**	**5,738**	**18,319**
TOTAL REVENUES	**77,011**	**28,022**	**4,024**	**38,414**	**26,377**	**173,848**
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(99,931)**	**(37,514)**	**(1,264)**	**(5,081)**	**(33,951)**	**(177,741)**
Reinsurers' share of claims paid	**18,573**	**643**	**639**	**4,995**	**28,936**	**53,786**
Net claims paid	**(81,358)**	**(36,871)**	**(625)**	**(86)**	**(5,015)**	**(123,955)**
Changes in outstanding claims, net	**10,303**	**(1,882)**	**(893)**	**(236)**	**(273)**	**7,019**
Changes in claims incurred but not reported, net	**11,188**	**(10,801)**	**(291)**		**(414)**	**(318)**
Net claims incurred	**(59,867)**	**(49,554)**	**(1,809)**	**(322)**	**(5,702)**	**(117,254)**
Changes in mathematical reserve	**-**	**-**	**-**	**3,692**	**-**	**3,692**
Changes in premium deficiency reserve	**2,020**	**9,196**	**(1,589)**	**-**	**-**	**9,627**
Change in other technical reserve	**18,543**	**-**	**-**	**-**	**64**	**18,607**
Policy acquisition costs	**(8,039)**	**(1,581)**	**(1,595)**	**(867)**	**(696)**	**(12,778)**
Supervision and inspection fees	**(114)**	**(5)**	**(1)**	**(191)**	**(52)**	**(363)**
Other direct underwriting expenses	**(5,252)**	**(1,544)**	**-**	**(312)**	**-**	**(7,108)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(52,709)**	**(43,488)**	**(4,994)**	**2,000**	**(6,386)**	**(105,577)**
NET UNDERWRITING (LOSS) / INCOME	**24,302**	**(15,466)**	**(970)**	**40,414**	**19,991**	**68,271**
OTHER OPERATING INCOME / (EXPENSES)						
Impairment loss on premium receivable						**(6,176)**
General and administrative expenses						**(68,814)**
Commission from held to maturity investments						**12,071**
Commission income on deposits						**654**
Unrealized gain on FVIS investments						**1,340**
Realized gain on FVIS investments						**1,628**
Dividends from FVIS investments						**162**
Other income						**14,423**
TOTAL OTHER OPERATING EXPENSES, NET						**(44,712)**
Income before surplus, Zakat and income tax						**23,559**
Net income attributed to the Insurance Operations						**(1,598)**
Income for the year attributable to the shareholders' before Zakat and income tax						**21,961**
Zakat						**(490)**
Income tax						**(51)**
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS'						**21,420**

29. OPERATING SEGMENTS (continued)

Year ended 31 December 2020	*Individual life SAR'000*	*Group life SAR'000*	*Total SAR'000*
REVENUES			
Gross written premium:			
Individual	184,787	-	184,787
Small & Medium enterprises	-	103	103
Corporate	-	49,044	49,044
Total gross written premium	184,787	49,147	233,934
Investible premium	(143,767)	-	(143,767)
Premium ceded:			
Local	-	-	-
Foreign	(10,662)	(24,752)	(35,414)
Net premium written	30,358	24,395	54,753
Change in unearned premium, net	-	5,054	5,054
	-		
Net premium earned	30,358	29,449	59,807
	-	-	-
Other underwriting income	19,370	806	20,176
TOTAL REVENUES	49,728	30,255	79,983
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(3,319)	(25,820)	(29,139)
Reinsurers' share of claims paid	3,177	23,123	26,300
Net claims paid	(142)	(2,697)	(2,839)
Changes in outstanding claims, net	(47)	(1,593)	(1,640)
Changes in claims incurred but not reported, net	-	(1,317)	(1,317)
Net claims incurred	(189)	(5,607)	(5,796)
Changes in mathematical reserve	2,180	-	2,180
Changes in other reserves	(322)	-	(322)
Policy acquisition costs	(9,970)	(77)	(10,047)
Supervision and inspection fees	(1,141)	(29)	(1,170)
TOTAL UNDERWRITING COSTS AND EXPENSES	(9,442)	(5,713)	(15,155)
NET UNDERWRITING INCOME	40,286	24,542	64,828
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of provision for impairment of receivables			36
General and administrative expenses			(45,413)
Commission from held to maturity Investments			12,236
Commission income on deposits			45
Unrealized gain on FVIS investments			809
Realized gain on FVIS investments			1,809
Dividends from FVIS investments			220
Other income			9,548
TOTAL OTHER OPERATING EXPENSES, NET			(20,710)
Income before surplus, Zakat and income tax			44,118
Net income attributed to the Insurance Operations			(4,129)
Income for the year attributable to the shareholders before Zakat and income tax			39,989
Zakat			(1,109)
Income tax			(116)
Net income for the year attributable to the shareholders			38,764

30. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of on-going identifications, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risk through strategic planning process. The strategy considers the impact of market conditions and available expertise on inherent risks to which the Company is exposed.

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

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Senior management
Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's Board authorised risk appetite parameters.

Audit Committee
The Audit Committee is elected by the General Assembly. The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Risk Committee
The Risk Committee is elected by the Board of Directors. The Risk Committee is responsible for the Company's risk management strategy to ensure that the Company's exposure to risks is minimal.

Internal Audit
All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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

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 factors other than credit, market and liquidity risks such as those arising from regulatory requirements. 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, and the adequacy of controls and procedures to address those risks;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

Insurance risk
Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of reserve for insurance activities. This is influenced by the frequency and amounts of claims paid and subsequent development of long-term claims. Therefore, the objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Head of Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim.

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

Concentration of insurance risk
The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical, individual life and group life segments. 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. 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 does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

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

Sources of uncertainty in estimation of future probable claim payments
The key source of estimation uncertainty at the balance sheet date relates to the valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at balance sheet date the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date.

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In the current year, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim.

General
General contracts mainly include the property, engineering and marine subclasses.

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom are underwritten either on a replacement value or on a market value basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims. In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

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

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargo. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Individual Life and Group life
For individual life business, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group life and group credit protection, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, for e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual life business and group credit protection portfolios are protected through an efficient reinsurance arrangement. This protects the Company from adverse mortality/morbidity experience.

Sensitivity of claims
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 5% change in the claims ratio would impact net underwriting income annually in aggregate by:

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

	Net underwriting income	
	2021	2020
	SR'000	
Impact of change in claim ratio by + / - 5%		
Medical	3,602	-
Motor	1,398	-
General	102	-
Individual Life	1,543	1,518
Group Life	1,032	1,472
	7,677	**2,990**

Independent actuarial review of claims and claims reserve.
In further mitigation of the insurance risk, the Company utilizes an independent actuary who performs periodical reviews of the Company's claims modeling and claims projections as well as verifying that the annual closing claims are adequate.

Reinsurance risk
Similar to other insurance companies, in order to minimise the financial exposure arising from large claims, the Company in normal course of business, enters into reinsurance arrangements with the reinsurers. Such reinsurance arrangements provide for greater diversification of business, allow the management to control exposure potential losses arising from large risk, and provide additional capacity for growth. All of the reinsurance is affected under treaty, Quota share and Surplus reinsurance contracts. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.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.

Capital management (solvency) risk
Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. As per guidelines laid out by SAMA in Article 66 of the Implementing Regulations of the Cooperative Insurance Companies Control Law detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

As at December 31, 2021 the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law. The capital structure of the Company as at December 31, 2021 consists of paid-up share capital of SAR 550,000 thousand, share premium of SAR 197,286 thousand, statutory reserves of SAR 42,632 thousand and retained earnings of SAR 22,812 thousand (December 31, 2020: paid-up share capital of SAR 350,000 thousand, share premium of SAR nil, statutory reserves of SAR 38,348 thousand and retained earnings of SAR 85,012 thousand) in the consolidated statement of financial position. In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

30. RISK MANAGEMENT (continued)

Reinsurance risk (continued)

The ratings of its reinsurance counterparties are as follows:

Reinsurer	**Rating agency**	**Rating**
Munich Re	A.M. Best	A+
Swiss Re Asia Pte. Ltd	Standard & Poor's (S&P)	AA-
RGA International Reinsurance	Moody's	A1
AXIS Reinsurance	Standard & Poor's (S&P)	A+
Argo Global Underwriting	A.M. Best	A-
GIC Re	A.M. Best	B++
Hannover Re	Standard & Poor's (S&P)	AA-
Saudi Re	Moody's	A3
Singapore Re	A.M. Best	A-
SCOR	Standard & Poor's (S&P)	AA-
R+V Re	Fitch	AA-
Partner Reinsurance	Standard & Poor's (S&P)	A+
Oman Insurance	A.M. Best	A
Odyssey Re	Standard & Poor's (S&P)	A-

Regulatory framework risk

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Financial risk

The Company's principal financial instruments are cash and cash equivalents, available for sale investments held to cover unit-linked liabilities, contribution receivable, reinsurance share of outstanding claims, other assets, held to maturity investments, FVIS investments, due from related parties, statutory deposit, reinsurance balances payable, accrued expenses and other liabilities, due to Shareholders' operations and other payables.

The Company does not enter into derivative transactions.

The main risks arising from the financial instruments of Insurance Operations and Shareholders' Operations are foreign currency risk, commission rate risk, credit risk, liquidity risk and fund price risk.

The management reviews and agrees policies for managing each of these risks and they are summarised below:

Foreign currency risk

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

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Insurance Operations and Shareholders' Operations primarily deal in Saudi Riyals and in US Dollar. Saudi Riyal which is pegged to the US Dollar.

Commission rate risk

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

The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2021. A hypothetical 50 basis points change in the weighted average commission rates of the floating rate financial assets balances at 31 December 2021 would impact commission income on murabaha deposits and sukuks by approximately SAR 2,605 thousand (2020: SAR 1,977 thousand) over the remaining period of maturity.

30. RISK MANAGEMENT (continued)

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.

The Company issues unit linked investment policies. In unit linked business the plan holder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on the unit linked financial assets.

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

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

- The Company seeks to limit the credit risk by setting credit limits and monitoring outstanding receivables. In respect of premium receivable, one of the policy holders account for 22% of the balance as at 31 December 2021 (2020: 87%).

The Company's investments comprise of murabaha securities, sukuks and mutual funds. The Company limits its credit risk on investments by setting out a minimum acceptable security rating level affirming their financial strength. The table below shows the maximum exposure to credit risk for the components of the financial position:

	2021 ***SAR'000***	*2020* *SAR'000*
Cash and cash equivalents	**83,023**	106,032
Premium receivable	**42,169**	2,705
Due from reinsurers	**1,385**	-
Reinsurance share of outstanding claims	**52,471**	43,483
Reinsurers' share of claims incurred but not reported	**26,924**	15,164
Investments	**622,690**	451,811
Due from a related party	**60,788**	26
Amounts held for investments with Custodians	**55,793**	-
Other receivables	**7,332**	2,913
Statutory deposit	**47,066**	35,000
	999,641	657,134

30. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a timely basis and management ensures that sufficient funds are available to meet any commitments as they arise. All assets of Insurance Operations and Shareholders' Operations are current, except for investments, statutory deposit and fixtures, furniture and equipment which is non-current in nature.

Maturity table

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

	2021			*2020*		
SR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
FINANCIAL ASSETS						
Cash and cash equivalents	**83,023**	**-**	**83,023**	106,032	-	106,032
Premium receivable	**42,169**	**-**	**42,169**	2,705	-	2,705
Due from reinsurers	**1,385**	**-**	**1,385**	-	-	-
Reinsurance share of outstanding claims	**52,471**	**-**	**52,471**	43,483	-	43,483
Reinsurers' share of claims incurred but not reported	**26,924**	**-**	**26,924**	15,164	-	15,164
Available for sale investments held to cover unit-linked liabilities	**1,524,882**	**-**	**1,524,882**	1,343,823	-	1,343,823
Investments	**-**	**622,690**	**622,690**	-	451,811	451,811
Due from a related party	**60,788**	**-**	**60,788**	26	-	26
Amounts held for investments with Custodians	**55,793**	**-**	**55,793**	-	-	-
Other receivables	**7,332**	**-**	**7,332**	2,913	-	2,913
Statutory deposit	**-**	**47,066**	**47,066**	-	-	-
TOTAL	**1,854,767**	**669,756**	**2,524,523**	**1,514,146**	**451,811**	**1,965,957**

	2021			*2020*		
SR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	**98,322**	**-**	**98,322**	44,734	-	44,734
Lease liabilities	**579**	**678**	**1,257**	-	-	-
Payable to agents, policyholders and claimants	**36,194**	**-**	**36,194**	-	-	-
Reinsurance balances payable	**34,389**	**-**	**34,389**	15,300	-	15,300
Outstanding claims	**81,740**	**-**	**81,740**	49,226	-	49,226
Claims incurred but not reported	**62,123**	**-**	**62,123**	17,835	-	17,835
Premium deficiency reserve	**9,617**	**-**	**9,617**	-	-	-
Unit reserves	**1,526,927**	**-**	**1,526,927**	1,349,364	-	1,349,364
Mathematical reserve	**5,468**	**-**	**5,468**	9,160	-	9,160
Other technical reserves	**259**	**-**	**259**	322	-	322
Due to a related party	**984**	**-**	**984**	-	-	-
TOTAL	**1,856,602**	**678**	**1,857,280**	1,485,941	-	1,485,941

There are no differences between contractual and expected maturity of the financial liabilities of the Company.

30. RISK MANAGEMENT (continued)

Market price risk

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

The Insurance Operations and Shareholders' Operations are exposed to market risk with respect to their investments in units of open-ended mutual funds and quoted equity securities.

Open-ended mutual funds

The underlying investments of the mutual funds are in equities, Sukuks and Murabaha purchased in the local and international markets and unit price of the fund is dependent on the movements in the market prices of these instruments. The fund manager limits market risk by monitoring the developments in the relevant markets for these instruments.

Quoted equity Securities

The total size of FVIS investments which are exposed to market price risk are SAR 155,875 thousand (2020: SAR 56,463 thousand). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

Unquoted equity securities

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

The sensitivity of the net assets on the assumed changes in the market prices of quoted open-ended mutual funds and quoted equity securities is set out below:

	Impact on Net Assets	
	2021	2020
	SR'000	
Impact of change in market prices by + / - 5%		
Open ended mutual funds	**83,764**	69,865
Quoted equity securities	**178**	149
	83,942	70,014

Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of FVIS investments which are exposed to market price risk are SAR 155,875 thousand (2020: SAR 56,463 thousand). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

The potential impact of a 10% increase or decrease in the market prices of investments on Company's profit would be as follows:

	Fair value change	**Effect on Company's profit SAR'000**
2021	± 10%	± 15,588
2020	± 10%	± 5,646

The above sensitivity analysis is only on FVIS investments which directly impact the Company's profit.

31. SUPPLEMENTARY INFORMATION

a) STATEMENT OF FINANCIAL POSITION

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2021 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2020 SAR'000*
ASSETS						
Cash and cash equivalents	**77,628**	**5,395**	**83,023**	72,500	33,532	106,032
Premium receivable, net	**20,286**	**-**	**20,286**	2,503	-	2,503
Due from reinsurers, net	**1,385**	**-**	**1,385**	-	-	
Reinsurers' share of unearned premium	**25,716**	**-**	**25,716**	17,423	-	17,423
Reinsurers' share of outstanding claims	**52,471**	**-**	**52,471**	43,483	-	43,483
Reinsurers' share of claims incurred but not reported	**26,924**	**-**	**26,924**	15,164	-	15,164
Deferred policy acquisition costs	**2,686**	**-**	**2,686**	-	-	-
Available for sale investments held to cover unit-linked liabilities	**1,524,882**	**-**	**1,524,882**	1,343,823	-	1,343,823
Investments	**119,459**	**503,231**	**622,690**	69,849	381,962	451,811
Due from a related party	**-**	**60,788**	**60,788**	-	26	26
Prepayments and other assets	**23,105**	**56,156**	**79,261**	3,760	-	3,760
Property and equipment	**3,818**	**-**	**3,818**	1,730	-	1,730
Intangible assets	**3,562**	**-**	**3,562**	-	-	-
Right use of assets	**1,212**	**-**	**1,212**	-	-	-
Goodwill	**-**	**232,948**	**232,948**	-	-	-
Statutory deposit	**-**	**47,066**	**47,066**	-	35,000	35,000
Due from shareholders/Insurance Operations	**33,478**	**-**	**33,478**	-	31,674	31,674
	1,916,612	**905,584**	**2,822,196**	1,570,235	482,194	2,052,429
Less: Inter-operations eliminations	**(33,478)**	**-**	**(33,478)**	-	(31,674)	(31,674)
TOTAL ASSETS	**1,883,134**	**905,584**	**2,788,718**	1,570,235	450,520	2,020,755
LIABILITIES						
Accrued expenses and other liabilities	**57,655**	**56,356**	**114,011**	43,878	7,552	51,430
Lease liabilities	**1,190**	**-**	**1,190**	-	-	-
Payable to agents, policyholders, and claimants	**36,194**	**-**	**36,194**	-	-	-
Unearned reinsurance commission	**632**	**-**	**632**	-	-	-
Reinsurance balances payable	**34,389**	**-**	**34,389**	15,300	-	15,300
Unearned premium	**76,567**	**-**	**76,567**	34,533	-	34,533
Outstanding claims	**81,740**	**-**	**81,740**	49,226	-	49,226
Claims incurred but not reported	**62,123**	**-**	**62,123**	17,835	-	17,835
Premium deficiency reserve	**9,617**	**-**	**9,617**	-	-	-
Unit reserves	**1,526,927**	**-**	**1,526,927**	1,349,364	-	1,349,364
Mathematical reserve	**5,468**	**-**	**5,468**	9,160	-	9,160
Other technical reserves	**259**	**-**	**259**	322	-	322
Employee benefits	**5,248**	**-**	**5,248**	3,518	-	3,518
Zakat and income tax	**-**	**2,182**	**2,182**	-	1,282	1,282
Due to a related party	**146**	**838**	**984**	-	-	-
Surplus from Insurance Operations	**17,215**	**-**	**17,215**	15,837	-	15,837
Due to Shareholders'/Insurance Operations	**-**	**33,478**	**33,478**	31,674	-	31,674
	1,915,370	**92,854**	**2,008,224**	1,570,647	8,834	1,579,481
Less: Inter-operations eliminations	**-**	**(33,478)**	**(33,478)**	(31,674)	-	(31,674)
TOTAL LIABILITIES	**1,915,370**	**59,376**	**1,974,746**	1,538,973	8,834	1,547,807
EQUITY						
Share capital	**-**	**550,000**	**550,000**	-	350,000	350,000
Share premium	**-**	**197,286**	**197,286**	-	-	-
Statutory reserve	**-**	**42,632**	**42,632**	-	38,348	38,348
Retained earnings	**-**	**22,812**	**22,812**	-	85,012	85,012
Remeasurement reserve of defined benefit obligation – related to Insurance operations	**1,242**	**-**	**1,242**	(412)	-	(412)
TOTAL EQUITY	**1,242**	**812,730**	**813,972**	(412)	473,360	472,948
TOTAL LIABILITIES AND EQUITY	**1,916,612**	**872,106**	**2,788,718**	1,538,561	482,194	2,020,755

31. SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME

	Insurance operations SAR'000	*Shareholders' operations SAR'000*	*Total 2021 SAR'000*	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2020 SAR'000*
REVENUES						
Gross written contributions:	**299,031**	-	**299,031**	233,934	-	233,934
Investible premium	**(125,493)**	-	**(125,493)**	(143,767)	-	(143,767)
Reinsurance premium ceded:						
Local	**(8,889)**	-	**(8,889)**	-	-	-
Foreign	**(49,776)**	-	**(49,776)**	(35,414)	-	(35,414)
Excess of loss premiums	**(24,147)**	-	**(24,147)**	-	-	-
Net premium written	**90,726**	-	**90,726**	54,753	-	54,753
Change in unearned premium, net	**62,823**	-	**62,823**	5,054	-	5,054
Net premium earned	**153,549**	-	**153,549**	59,807	-	59,807
Reinsurance commission earned	**1,980**	-	**1,980**	-	-	-
Other underwriting income	**18,319**	-	**18,319**	20,176	-	20,176
TOTAL REVENUES	**173,848**	-	**173,848**	79,983	-	79,983
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(177,741)**	-	**(177,741)**	(29,139)	-	(29,139)
Reinsurers' share of claims paid	**53,786**	-	**53,786**	26,300	-	26,300
Net claims paid	**(123,955)**	-	**(123,955)**	(2,839)	-	(2,839)
Changes in outstanding claims, net	**7,019**	-	**7,019**	(1,640)	-	(1,640)
Changes in claims incurred but not reported, net	**(318)**	-	**(318)**	(1,317)	-	(1,317)
Net claims incurred	**(117,254)**	-	**(117,254)**	(5,796)	-	(5,796)
Change in mathematical reserve	**3,692**	-	**3,692**	2,180	-	2,180
Changes in premium deficiency reserve	**9,627**	-	**9,627**	-	-	-
Change in other technical reserves	**18,607**	-	**18,607**	(322)	-	(322)
Policy acquisition costs	**(12,778)**	-	**(12,778)**	(10,047)	-	(10,047)
Supervision and inspection fees	**(363)**	-	**(363)**	(1,170)	-	(1,170)
Other direct underwriting expenses	**(7,108)**	-	**(7,108)**	-	-	-
TOTAL UNDERWRITING COSTS AND EXPENSES	**(105,577)**	-	**(105,577)**	(15,155)	-	(15,155)
NET UNDERWRITING INCOME	**68,271**	-	**68,271**	64,828	-	64,828
OTHER OPERATING (EXPENSES)/ INCOME						
Impairment (loss)/reversal on premium receivable	**(6,176)**	-	**(6,176)**	36	-	36
General and administrative expenses	**(61,500)**	**(7,314)**	**(68,814)**	(34,305)	(11,108)	(45,413)
Commission from held to maturity Investments	**11**	**12,060**	**12,071**	456	11,780	12,236
Commission income on deposits	**4**	**650**	**654**	45	-	45
Unrealized gain on FVIS investments	**811**	**529**	**1,340**	447	362	809
Realized gain/(loss) on FVIS investments	**220**	**1,408**	**1,628**	236	1,573	1,809
Dividends from FVIS investments	**-**	**162**	**162**	-	220	220
Other income	**14,338**	**85**	**14,423**	9,544	4	9,548
TOTAL OTHER OPERATING (EXPENSES)/INCOME	**(52,292)**	**7,580**	**(44,712)**	(23,541)	2,831	(20,710)

31. SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME (continued)

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2021 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2020 SAR'000*
NET SURPLUS FROM OPERATIONS	**15,979**	**7,580**	**23,559**	41,287	2,831	44,118
Surplus transferred to Shareholders'	**(14,381)**	**14,381**	**-**	(37,158)	37,158	-
NET INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX	**1,598**	**21,961**	**23,559**	4,129	39,989	44,118
Zakat	**-**	**(490)**	**(490)**	-	(1,109)	(1,109)
Income tax	**-**	**(51)**	**(51)**	-	(116)	(116)
NET INCOME FOR THE YEAR	**1,598**	**21,420**	**23,018**	4,129	38,764	42,893
Weighted average number of ordinary shares outstanding (in thousands of shares) - restated	**-**	**52,650**	**-**	-	40,900	-
Earnings per share for the year (SAR/share) (Basic and diluted) - restated	-	0.407	-	-	0.948	-

c) STATEMENT OF COMPREHENSIVE INCOME

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2021 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2020 SAR'000*
NET INCOME FOR THE YEAR	**1,598**	**21,420**	**23,018**	4,129	38,764	42,893
Actuarial loss on defined benefit obligation – related to Insurance operations (note 19)	**1,654**	**-**	**1,654**	(363)	-	(363)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,252**	**21,420**	**24,672**	3,766	38,764	42,530

Share of Insurance Operations surplus split in the ratio of 90/10 between Shareholders' and Insurance Operations and presented separately is now presented as an expense in statement of income.

31. SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2021 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2020 SAR'000*
OPERATING ACTIVITIES						
Net income for the year before zakat and income tax	**1,598**	**21,961**	**23,559**	4,129	39,989	44,118
Adjustments for non-cash items:						
Impairment loss/(reversal) on premium receivable	**6,176**	**-**	**6,176**	(36)	-	(36)
Loss on disposal of property and equipment	**1,784**	**-**	**1,784**	-	-	-
Commission from held to maturity investments	**(11)**	**(12,060)**	**(12,071)**	(456)	(11,780)	(12,236)
Unrealized gain on FVIS investments	**(811)**	**(529)**	**(1,340)**	(447)	(362)	(809)
Realized gain on FVIS investments	**(220)**	**(1,408)**	**(1,628)**	(236)	(1,573)	(1,809)
Dividends from FVIS investments	**-**	**(162)**	**(162)**	-	(220)	(220)
Depreciation and amortization	**4,852**	**-**	**4,852**	279	-	279
Finance cost of lease liabilities	**182**	**-**	**182**	-	-	-
Employee benefits	**2,435**	**-**	**2,435**	837	-	837
	15,985	**7,802**	**23,787**	4,070	26,054	30,124
Changes in operating assets and liabilities:						
Premium receivable, net	**5,122**	**-**	**5,122**	(373)	-	(373)
Due from reinsurers, net	**9,577**	**-**	**9,577**	-	-	-
Reinsurers' share of unearned premium	**1,938**	**-**	**1,938**	(4,500)	-	(4,500)
Unearned premium	**(64,761)**	**-**	**(64,761)**	(554)	-	(554)
Unearned reinsurance commission	**(724)**	**-**	**(724)**	-	-	-
Deferred policy acquisition costs	**6,132**	**-**	**6,132**	-	-	-
Reinsurers' share of outstanding claims	**13,980**	**-**	**13,980**	(9,120)	-	(9,120)
Reinsurers' share of claims incurred but not reported	**(3,479)**	**-**	**(3,479)**	(9,495)	-	(9,495)
Available for sale investments held to cover unit-linked liabilities, net	**(181,059)**	**-**	**(181,059)**	(161,718)	-	(161,718)
Due from related parties	**-**	**(4,471)**	**(4,471)**	81,728	2,165	83,893
Prepayments and other assets	**8,991**	**(54,743)**	**(45,752)**	(1,355)	68	(1,287)
Accrued expenses and other liabilities	**(27,363)**	**(1,083)**	**(28,446)**	25,477	4,856	30,333
Payable to agents, policyholders and claimants	**4,747**	**-**	**4,747**	-	-	-
Reinsurers' balances payable	**10,916**	**-**	**10,916**	4,525	-	4,525
Outstanding claims	**(20,999)**	**-**	**(20,999)**	10,760	-	10,760
Claims incurred but not reported	**3,797**	**-**	**3,797**	10,812	-	10,812
Unit reserve	**177,563**	**-**	**177,563**	164,458	-	164,458
Mathematical reserve	**(3,692)**	**-**	**(3,692)**	(2,180)	-	(2,180)
Premium deficiency reserve	**(9,627)**	**-**	**(9,627)**	-	-	-
Other technical reserves	**(18,607)**	**-**	**(18,607)**	(11,336)	-	(11,336)
Due from shareholders/Insurance Operations	**82,041**	**(82,041)**	**-**	2,267	(2,267)	-
Cash (used in)/generated from operations	**10,478**	**(134,536)**	**(124,058)**	103,466	30,876	134,342
Release of short-term deposit acquired as a result of business combination	**-**	**37,500**	**37,500**	-	-	-
Increase in statutory deposit	**-**	**(12,066)**	**(12,066)**	-	-	-
Zakat and income tax paid	**-**	**(3,039)**	**(3,039)**	-	(1,053)	(1,053)
Employee benefits paid	**(1,789)**	**-**	**(1,789)**	(306)	-	(306)
Distribution of surplus to policyholders	**(261)**	**-**	**(261)**	(20,115)	-	(20,115)
Net cash (used in)/from operating activities	**8,428**	**(112,141)**	**(103,713)**	83,045	29,823	112,868
INVESTING ACTIVITIES						
Proceeds from maturity of held to maturity investment	**15,000**	**136,864**	**151,864**		23,000	23,000
Proceeds from disposal of FVIS investment	**25,001**	**148,484**	**173,485**	30,201	26,771	56,972
Purchase of held to maturity investments	**-**	**(149,202)**	**(149,202)**	-	(30,000)	(30,000)
Purchase of FVIS investment	**(89,950)**	**(175,000)**	**(264,950)**	(55,000)	(27,820)	(82,820)
Commission received from held to maturity investments	**1,381**	**30,061**	**31,442**	-	7,305	7,305
Dividends from FVIS investments	**-**	**162**	**162**	-	220	220
Net Cash flow in Business Combination	**48,215**	**92,635**	**140,850**	-	-	-
Proceeds from disposal of property and equipment	**170**	**-**	**170**	-	-	-
Purchase of property and equipment	**(568)**	**-**	**(568)**	(1,200)	-	(1,200)
Net cash generated from / (used in) investing activities	**(751)**	**84,004**	**83,253**	(25,999)	(524)	(26,523)
FINANCING ACTIVITIES						
Rentals paid against lease liability	**(2,549)**	**-**	**(2,549)**	-	-	-
Net increase / (decrease) in cash and cash equivalents	**5,128**	**(28,137)**	**(23,009)**	57,046	29,299	86,345
Cash and cash equivalents at the beginning of the year	**72,500**	**33,532**	**106,032**	15,454	4,233	19,687
Cash and cash equivalents at the end of the year	**77,628**	**5,395**	**83,023**	72,500	33,532	106,032

32. IMPACT OF COVID-19

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally, including the Kingdom of Saudi Arabia, and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope. This has led to significant disruptions in the retail, travel, and hospitality industries and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe.

This outbreak has also affected the GCC region, including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular, has implemented closure of borders, released social distancing guidelines, and enforced country-wide lockdowns and curfews.

In response to the spread of the COVID-19 virus in the Kingdom of Saudi Arabia where the Company operates, and its consequential disruption to the social and economic activities in the Saudi Arabia market, the Company's management believes that it has taken appropriate and sufficient measures to address the impact of COVID-19. Given the Company's existing liquidity position, it believes that it will be able to meet its liabilities as and when they fall due and will allow the Company to reasonably handle the liquidity risks presented by the current climate.

The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

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

- **Credit risk management**

  The Company has strengthened its credit risk management policies to address the fast-changing and evolving risks posed by the current circumstances. These include reviewing credit concentrations at the granular economic sector, region, and counterparty level and taking appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the COVID-19 pandemic:

  - Transportation
  - Construction
  - Entertainment
  - Food
  - Airlines
  - Freight Companies
  - Hotels

- **Liquidity Risk**

  The Company is aware of the need to focus on liquidity management during this period. It has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance and the continued development of external economic factors.

32. IMPACT OF COVID-19 (continued)

- **Medical technical reserves**

  Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped reduce any unfavorable impact. During the lockdown, the acquired company Solidarity Saudi Takaful Company ("Solidarity") saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, Solidarity experienced a surge in claims in line with the expectations of Solidarity's management.

  Council of Cooperative Health Insurance ("CCHI") issued a Circular 895, dated 17 December 2020 regarding the procedures, protocols, and prices relating to the enforcement of Article 11. Following these procedures, Government facilities will be now able to bill insurance companies for the claims incurred for some elements of their insured population. As instructed by the CCHI, the new protocols and procedures will cover all new and renewing policies incepting from 01 January 2021. Moreover, this will also cover all emergency cases for all inforce policies as of 01 January 2021.

  Since, the Company has acquired Solidarity (refer note 4), the Company's management in conjunction with its appointed actuary has duly considered the impact of the surge in Solidarity's medical claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 31 December 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 6.98 million as a premium deficiency reserve.

- **Motor technical reserves**

  The Company's actuary has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for motor line of business. Based on the results, the Company has booked an amount of SAR 1.05 million as a premium deficiency reserve.

The Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situations and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such an uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

33. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end, that would require disclosures or adjustments in these financial statements, except as disclosed in note 11.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 22 March 2022, corresponding to 19 Shaban 1443H.