ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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INDEPENDENT AUDITORS' REPORT
To the Shareholders Of
ALINMA TOKIO MARINE COMPANY
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of **Alinma Tokio Marine Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 32, including a summary of significant accounting policies and other explanatory notes.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Valuation of insurance contract liabilities **Key audit matter**	**How the matter was addressed in our audit**
The Company as at December 31, 2022 has gross technical reserves amounting to SR 258.70 million as reported in Note 7 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves, unit linked liabilities, mathematical reserves and other technical reserves. The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs. The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates. *Refer to note 2.4.1 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.*	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. • Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Independent Auditors' Report (Continued)

Other information

Management is responsible for the other information. Other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- 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;

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Independent Auditors' Report (Continued)

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

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

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

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

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

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

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

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

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Date: March 26, 2023
Corresponding to: Ramadan 04, 1444H

العظم و السديري و آل الشيخ وشركاؤم
للإستشارات المهنية - عضو كرو الدولية
C.R. 1010466353
س.ت ١٠١٠٤٦٦٣٥٣
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الخراشي وشركاه
محاسبون و مراجعون قانونيون
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Certified Accountants & Auditors
AL-Kharashi Co.

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2022	2021
		SAR' 000	SAR' 000
ASSETS			
Cash and cash equivalents	4	**102,816**	248,314
Investments	5	**99,968**	42,814
Murabaha deposits	6	**100,970**	-
Premiums and reinsurance receivables, net	6	**115,194**	72,977
Reinsurers' share of unearned premiums	7.1	**175,594**	103,695
Reinsurers' share of outstanding claims	7.2	**72,861**	23,047
Reinsurers' share of incurred but not reported claims	7.2	**19,452**	21,875
Unit linked investments	7.4	**98,273**	85,653
Deferred policy acquisition costs	8	**12,609**	9,708
Prepayments and other assets	9	**24,589**	11,399
Statutory deposit	10	**45,000**	45,000
Property and equipment	11	**1,439**	3,153
Intangible assets	12	**6,185**	5,384
Due from a related party	13	**1**	36
Right of use assets	28	**2,590**	3,821
TOTAL ASSETS		**877,541**	676,876
LIABILITIES			
Unearned premiums	7.1	**249,719**	157,161
Outstanding claims	7.2	**113,374**	54,164
Incurred but not reported claims	7.2	**38,445**	42,981
Other reserves	7.2	**4,060**	3,321
Premium deficiency reserves	7.3	**3,305**	5,510
Unit linked liabilities	7.4	**98,273**	85,653
Mathematical reserves	7.5	**1,246**	1,604
Reinsurance balances payable		**102,307**	66,593
Unearned reinsurance commission		**16,361**	10,483
Accrued expenses and other liabilities	14	**40,361**	45,891
Zakat and income tax payable	15	**5,533**	6,699
Surplus distribution payable		**1,200**	-
Retirement benefit obligation	16	**6,406**	6,018
Lease liabilities	28	**2,579**	3,889
TOTAL LIABILITIES		**683,169**	489,967
EQUITY			
Issued, authorized and paid up share capital	17	**300,000**	300,000
Accumulated losses		**(105,430)**	(112,830)
Remeasurement of retirement benefit obligation		**(198)**	(261)
TOTAL EQUITY		**194,372**	186,909
TOTAL LIABILITIES AND EQUITY		**877,541**	676,876
CONTINGENCIES AND COMMITMENTS	23	**288,823**	842

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director	**Chief Financial Officer**	**Chief Executive Officer**

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
For the year ended 31 December

	Note	2022	2021
		SAR' 000	SAR' 000
REVENUES			
Gross premiums written	7.1	**438,585**	305,554
Fee income from insurance contracts	7.1	**75**	44
Reinsurance premiums ceded			
Local		**(6,626)**	(5,307)
Foreign		**(213,842)**	(133,446)
Excess of loss expenses		**(9,723)**	(8,031)
Net premiums written		**208,469**	158,814
Changes in unearned premiums	19	**(92,558)**	(24,112)
Changes in reinsurers' share of unearned premiums	19	**71,899**	7,184
Net premiums earned		**187,810**	141,886
Reinsurance commission earned		**21,299**	20,162
Other underwriting income		**11,161**	7,352
Total revenues		**220,270**	169,400
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(103,675)**	(83,872)
Surrenders		**(16,233)**	(13,652)
Reinsurers' share of claims paid		**20,540**	27,903
Net claims and other benefits paid		**(99,368)**	(69,621)
Changes in outstanding claims	7.2	**(59,210)**	7,683
Changes in reinsurers' share of outstanding claims	7.2	**49,814**	(13,439)
Changes in incurred but not reported claims	7.2	**4,536**	3,595
Changes in reinsurers' share of incurred but not reported claims	7.2	**(2,423)**	(1,197)
Changes in other reserves	7.2	**(739)**	(481)
Changes in premium deficiency reserves	7.3	**2,205**	1,227
Net claims and other benefits incurred		**(105,185)**	(72,233)
Changes in unit linked reserves	7.4	**(12,620)**	(28,504)
Changes in mathematical reserves	7.5	**358**	(1,146)
Policy acquisition costs	8	**(36,697)**	(26,739)
Other underwriting expenses		**(1,184)**	(1,502)
Total underwriting costs and expenses		**(155,328)**	(130,124)
NET UNDERWRITING INCOME		**64,942**	39,276
OTHER OPERATING INCOME / (EXPENSES)			
General and administrative expenses	20	**(66,700)**	(65,743)
Provision for doubtful receivables	6	**8,580**	(5,103)
Unrealized gain on unit linked investments	7.4	**(1,742)**	15,082
Unrealized loss on investments	21	**1,799**	(14)
Realized gain on investments	21	**4,038**	5,315
Total other operating expenses, net		**(54,025)**	(50,463)
Profit/(loss) for the year before attribution and zakat		**10,917**	(11,187)
Net income for the year attributed to insurance operations		(1,200)	-
Net profit/(loss) for the year attributable to shareholders before zakat		**9,717**	**(11,187)**
Zakat for the year	15	**(2,294)**	(3,216)
Tax for the year	15	**(23)**	-
Net profit/(loss) for the year		**7,400**	(14,403)
Earning/(loss) per share (SAR)	22	**0.29**	(0.48)

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director **Chief Financial Officer** **Chief Executive Officer**

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2022 SAR' 000	2021 SAR' 000
Net profit/(loss) for the year		**7,400**	(14,403)
Other comprehensive income:			
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial gain/(loss) on remeasurement of retirement benefit obligations	*16.3*	**63**	(451)
Total comprehensive income/(loss) for the year		**7,463**	(14,854)
Total comprehensive income/(loss) for the year attributed to insurance operations		**63**	(451)
Total comprehensive income/(loss) for the year attributed to shareholders		**7,400**	(14,403)

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director | Chief Financial Officer | **Chief Executive Officer**

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Note	Share capital	Accumulated losses	Remeasurement of retirement benefit obligation	Total
		SAR'000	**SAR'000**	**SAR'000**	**SAR'000**
2022					
Balance as at 01 January 2022	*17*	**300,000**	**(112,830)**	**(261)**	**186,909**
Total comprehensive income for the year		**-**	**7,400**	**-**	**7,400**
Actuarial gain on remeasurement of retirement benefit obligations	*16*	**-**	**-**	**63**	**63**
Balance as at 31 December 2022		**300,000**	**(105,430)**	**(198)**	**194,372**
2021					
Balance as at 01 January 2021	*17*	300,000	(98,427)	190	201,763
Total comprehensive loss for the year		-	(14,403)	-	(14,403)
Actuarial loss on remeasurement of retirement benefit obligations	*16*	-	-	(451)	(451)
Balance as at 31 December 2021		300,000	(112,830)	(261)	186,909

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director | **Chief Financial Officer** | **Chief Executive Officer**

ALINMA TOKIO MARINE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Note	2022	2021
		SAR' 000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year		8,600	(14,403)
Adjustments for non cash items:			
Depreciation and amortization	11, 12	2,748	3,847
Depreciation of right to use assets	28	1,231	1,257
Financing cost on lease liabilities	28	126	177
Provision for doubtful receivables	6	(8,580)	5,103
Realized loss/(gain) on investments held at FVSI	21	138	(2,402)
Unrealized (gain)/loss on investment held at FVSI	21	(493)	96
Provision for retirement benefit obligations	16	1,578	1,367
Provision for zakat and Tax	15	2,317	3,216
		7,665	(1,742)
Changes in operating assets and liabilities:			
Premiums and reinsurance receivables		(33,637)	(7,447)
Reinsurers' share of unearned premiums		(71,899)	(7,184)
Reinsurers' share of outstanding claims		(49,814)	13,439
Reinsurers' share of incurred but not reported claims		2,423	1,197
Deferred policy acquisition costs		(2,901)	(2,070)
Prepayments and other assets		(13,190)	7,564
Due from related parties		35	(36)
Unit linked investments		(12,620)	(28,504)
Outstanding claims		59,210	(7,683)
Incurred but not reported claims		(4,536)	(3,595)
Other reserves		739	481
Premium deficiency reserves		(2,205)	(1,227)
Mathematical reserves		(358)	1,146
Unearned premiums		92,558	24,112
Reinsurance balances payable		35,714	(1,265)
Unearned reinsurance commission		5,878	(1,483)
Accrued expenses and other liabilities		(5,530)	(2,579)
Lease liabilities		-	346
Due to a related party		-	(66)
Unit linked liabilities		12,620	28,504
Cash generated from operations		20,152	11,908
Retirement benefit obligations paid	16	(1,127)	(1,401)
Zakat and income tax paid	15	(3,483)	(3,592)
Net cash generated from operating activities		15,542	6,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Murabaha Deposit		(100,970)	-
Purchase of investments	5.2	(210,299)	(141,000)
Proceeds from disposal of investments	5.2	192,691	144,948
Redemption / (subscription) of sukuk	5.3	(39,191)	5,000
Purchase of property and equipment	11	-	(135)
Purchase of intangible assets	12	(1,835)	(1,112)
Reversal of lease asset	28	-	(606)
Net cash(Used in)/ generated from investing activities		(159,604)	7,095
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments during the year	28	(1,436)	(1,176)
Net cash (used in)/generated from all activities		(145,498)	12,834
Cash and cash equivalents at the beginning of the year		248,314	235,480
Cash and cash equivalents at the end of the year	4	102,816	248,314
Non cash transactions			
Actuarial (gain)/loss on retirement benefit obligations	16	(63)	451

The accompanying notes 1 to 32 form an integral part of these financial statements.

Director **Chief Financial Officer** **Chief Executive Officer**

1 GENERAL

Alinma Tokio Marine Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 309/Q dated 19 Rajab 1433H (corresponding to 9 June 2012). The Commercial Registration number of the Company is 7001727200, dated 28 Rajab 1433H (corresponding to 18 June 2012). The Company is listed on the Saudi Arabian Stock Exchange ("Tadawul") since 24 June 2012. The Registered address of the Company's head office is as follows:

King Fahad Road
P.O. Box 643
Riyadh 11421
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 25/M, dated 3 Jumada-Al Thani 1430H (corresponding to 27 June 2009), pursuant to the Council of Ministers' Resolution No. 140 dated 2 Jumada-Al Thani 1430H (corresponding to 26 June 2009).

The purpose of the Company is to transact in cooperative insurance operations and all related activities in accordance with its By Laws and applicable regulations in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

2.1 Basis of presentation and measurement

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

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

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as FVSI. 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 to use assets, Unit linked Investments, Statutory Deposit, Murabaha Deposits maturing over one year, Available for sale investments, Held to maturity investments and Retirement benefit obligations. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and present same supplementary information in the financial statements (note 29). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 29 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 statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The Company has accumulated losses as at 31 December 2022 which are 35.14% (31 December 2021: 37.61%) of the share capital. The reason for these losses is high expense ratio and deterioration in loss ratio. The Board of Directors has approved a business plan on 13 December 2022. The plan is based on improving the net premium written and control over expenses and loss ratios. The plan demonstrates that the Company will be able to continue as a going concern for foreseeable future.

2.2 Functional and presentation currency

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

2 BASIS OF PREPARATION (CONTINUED)

2.3 Fiscal year

The Company follows a fiscal year ending December 31.

2.4 Critical accounting judgement, estimates and assumptions

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

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

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

2.4.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of incurred but not reported claims ("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 incurred but not reported claims (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2.4.2 Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.4.3 Impairment of receivables

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

2.4.4 Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models Where market observable inputs are not available, they are estimated based on appropriate assumptions.

2.4.5 Useful lives of property and equipment

The Company's management determines the estimated useful lives for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values, useful lives and depreciation method annually. Future depreciation charge, if any shall be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

2.5 Provision for zakat

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

2.6 Retirement benefit obligations

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

2 BASIS OF PREPARATION (CONTINUED)

2.7 Deferred Tax

Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized. Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2022. The amount of deferred tax asset as at 31 December 2022 is estimated to be SAR 2.1 Million (31 December 2021: SAR 2.5 Million).

2.8 Contingencies

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

2.9 Premium deficiency reserves

Estimation of premium deficiency is largely dependent on the assumptions of expected loss ratio and the expected expense ratio of the unexpired portion of the risks for the written policies. The expected loss ratio is derived from the actual incurred loss ratio for each of the accident quarters. Suitable adjustment is made by the Appointed Actuary to reflect any prospective deviation in the unexpired portion of risk as compared to the actual loss ratio. The expense ratio is derived with reference to the maintenance expense of the company on the earned business allocated to each line of business on the basis of detailed expense allocation methodology. This is then used as a basis of assumption for the expected expense ratio to be used in Premium Deficiency Reserve calculation.

The adjustment of Deferred Acquisition Cost and Unearned Reinsurance Commission income is taken at actual using the reserves as aside at the valuation date.

2.10 Other reserves

Other reserves represent unallocated loss adjustment expense reserve and are based on estimates of future payments and derived from the claim department expenses, including payroll and allocation of other expenses.

Other reserves represent unallocated loss adjustment expense reserve. The related expense is charged to statement of income as incurred. The reserves are set aside with reference to the unit handling and settlement expense per unit of net claims. The claims handling and settlement expenses is derived from the claim department expenses, including payroll and allocation of other expenses. This factor is then applied to net Outstanding and IBNR claims as at the reserving date, which represents the future claim payments. Suitable adjustment is made to reflect the fact that the expected workload of the claims department will be more for the IBNR claims compared to Outstanding Claims. The Company does not discount other reserves.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Financial Statements are summarized below. These policies have been consistently applied to each of the financial years presented except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the financial statements of the Company on the current year or prior year and is expected to have no significant effect in future years:

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

(i) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

IFRS 17 Insurance Contracts

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

Structure and status of the Implementation project

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs for the years 2020, 2021 and for the period ended 30 June 2022 to SAMA.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

a) Governance structure

The IFRS 17 Project Governance and Control Structure for the Company has been developed to ensure implementation of IFRS 17 and better project management and governance practices.

The Project Governance and Control Framework of the Company comprises of the following components:

Project Governance includes Committees governed by the Board Audit Committee which ultimately reports to the Board of Directors (BoD) of the Company

Project Planning to achieve the overall objectives of the project.

Project Management, which includes defining a project management office and maintaining the process used to monitor and control project scope, schedule, status reporting, matrices used to identify potential issues and perform preventative and corrective actions.

Project Closure, which includes validation of all activities as per the project plan are completed; all risks, issues, and action items are closed; artefacts are archived; final metrics are collected and analyzed; and a formal lesson learned session is completed

Project Governance

The Project Governance Structure of the Company comprises of the following committees:

Committee	Roles and responsibilities
IFRS 17 Steering Committee	Consider, discuss and approve all decisions and processes proposed. Ensure that the IFRS 17 implementation activities are being carried out according to the project timelines.
Audit Committee	Ensure appropriate degree of discussion, challenge and review of all proposed decisions and processes.
Board of Directors	Take ultimate responsibility for the decisions and processes, following appropriate input from its sub-committees.

b) Key areas remaining to be completed

In order to ensure a smooth transition to IFRS 17, the Company has divided its implementations into distinct sub-divisions including both a functional implementation and solution implementation. Integration of the IFRS 17 Solution with the core system and the associated UAT are still in progress.

Significant Judgements and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of this Standard i.e., 1 January 2023:

a) Contracts within/outside the scope of IFRS 17

A contract is an insurance contract that falls under the scope of IFRS17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event), adversely affects the policyholder.

A reinsurance contract held is defined as an insurance contract issued by one entity (the reinsurer), to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts). Even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

A reinsurance contract held is defined as an insurance contract issued by one entity (the reinsurer), to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts). Even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

b) Combination/Unbundling of Contracts

At inception, the Company identifies:

derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and

distinct investment components – i.e., investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

The Company does not underwrite any insurance contracts that contain embedded derivatives or distinct investment components. The Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

Currently, the Company's insurance portfolios do not contain any non-insurance components that will need to be unbundled from insurance contracts.

c) Level of Aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

any contracts that are onerous on initial recognition;

any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

any remaining contracts in the portfolio.

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

For reinsurance contracts, the risks that must be similar relate to those transferred from the underlying contract to the issuer of the reinsurance contract. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

If risks covered are not similar enough between different treaties, they will not be classified into the same portfolio. It is possible for a portfolio to consist of a single reinsurance treaty if there are no other reinsurance treaties that are deemed to have similar risks and are managed together.

Below are the group of contracts (GoC's) according to Company's portfolios:

Insurance Portfolios	Reinsurance Portfolios
Group Credit	Group Credit (proportional)
Group Health	Group Life (proportional)
Group Life	Accident and liability (non-proportional)
Engineering	Marine (non-proportional)
Accident and liability	Fire and Property (non- proportional)
Motor Comprehensive Commercial	Motor (non-proportional)
Motor Comprehensive Retail	Engineering (proportional)
Motor Third Party Liability Commercial	Accident and liability (proportional)
Motor Third Party Liability Retail	Marine (proportional)
Marine	Fire and Property (proportional)
Fire and Property	Engineering (proportional)
Gold Saving Program	Gold Saving Program (proportional)
Platinum Savings Program	Platinum Savings Program (proportional)
Istithmar Program	Istithmar Program (proportional)
Zawaaj Program	Zawaaj Program (proportional)
Ta'aleem Program	Ta'aleem Program (proportional)

d) Measurement – Overview

Measurement model(s) by Product

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:

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

a. Fulfilment cash flows (FCF), which comprises:

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

b. 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.

2. The Variable Fee Approach (VFA):

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.

3. Premium Allocation Approach (PAA)

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.

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

The Company may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general requirement or

the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA, except for the individual life businesses to simplify the measurement of group of contracts on the following bases:

Insurance contracts:

the coverage period of Motor, Fire and Property, Accident and liability and Marine contracts in the group of contracts is one year or less.

Insurance contracts: PAA eligibility test has been performed for long term accident and liability and engineering contracts. The Company reasonably expects that the resulting measurement would not differ materially from the result of applying the accounting policies for general measurement model.

Reinsurance contracts: the Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model.

Insurance Contracts on initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Insurance acquisition cash flows are recognised as expenses when they are incurred. Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. It includes gross estimated cost of claims incurred but not settled and claims incurred but not reported at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

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 estimates of claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Reinsurance contracts

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

ii. De-recognition and contract modification

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

Modification only happens if there is a change to the terms of an insurance contract, either by an agreement between the parties to the contract or by a change in regulation. The Company may modify the terms of an existing contract in a way that would have led to a significant change in the way such a contract would have been accounted for if such new terms had always existed.

If and only if the modified terms would lead to any of the following conditions being met, then the original contract shall be derecognised, and the modified contract shall be recognised as a new contract:

The modified contract falls outside the scope of IFRS 17;

Unbundling is required while before the modification it was not, or vice versa;

There is a substantially different contract boundary;

The contract belongs to a different group of contracts; or

There is a change in the applicability of VFA or PAA.

If the modified terms do not satisfy any of the above conditions, then the changes in cash flows caused by the modified terms shall be accounted for as changes in estimates of fulfilment cash flows (FCFs)

iii. Acquisition and Attributable Cost

Insurance acquisition cash flows are the costs that directly associated with selling and handling acquired businesses. The company considers underwriting, sales, and regulatory levies as acquisition costs. Acquisition costs are not expensed when incurred and are deferred over the life of the insurance contract. While attributable costs are the costs that can fully or partially attributed to the insurance operations. The company has in place allocation technique to allocate the costs based on direct to indirect costs ratio.

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

iv. Discounting methodology

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin.

After estimating the future cash flows arising from the insurance contracts, discounting shall be used to calculate the present value of these cash flows, in order to reflect the time value of money and the financial risks associated with these cash flows. This is done to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates applied to the estimates of the future cash flows in discounting shall:

Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;

Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and

Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

Discount rate for liability for Remaining Coverage:

If insurance contracts in the group have a significant financing component, the Company shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates, as determined on initial recognition.

The Company is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

Discount rate for Liability for Incurred Claims:

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

v. Risk Adjustment methodology, including correlations, and confidence level selected

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risk adjustment for non-financial risk relates to risk arising from insurance contracts other than financial risk. Financial risk is included in the estimates of the future cash flows or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

IFRS 17 ""Insurance contracts"" prescribes that "an entity shall determine the risk adjustment for non-Financial risk so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts". Consequently, risk mitigation effects due to reinsurance should not be taken into consideration in measuring the risk adjustment while also a separate assessment with reference to reinsurance held contracts should be performed.

The Company adopted the PAA simplification for the calculation of liability for remaining coverage except for liability for remaining coverage under Individual Life portfolio. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as an onerous and for liability for remaining coverage for contracts under Individual Life portfolio.

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

Applying a cost of capital technique, the Company estimates the probability distribution of the present value of future cash flows from insurance contracts at each reporting date and calculates the economic capital that it would require to meet its contractual obligations to pay claims arising over the duration of the contracts. The cost-of-capital rate, which represents the additional reward that investors would require for exposure to the non-financial risk, is then applied to the amount of economic capital required for each period, and the result is discounted using risk-free rates adjusted for illiquidity to determine the risk adjustment for non-financial risk for each group of insurance contracts.

vi. CSM release pattern

The Company will adopt the Premium Allocation Approach for the measurement of LRC for all the portfolios except for Individual Life. Under PAA, the derivation of CSM and its release during the period is not required.

However, for Individual Life, The Company has established the relevant procedures for the derivation and release of CSM. The actuarial system developed also have the capability to measure LRC under GMM as well.

IFRS 17 determines the coverage units as the quantity of service provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period.

The coverage units reflect the risk pattern of the Company and is established by apportioning the global annual limit of each contract into the various periods, according to the days of exposure. For all the groups except Engineering insurance portfolio and Engineering proportional reinsurance portfolio, this apportioning of the global annual limit will be done linearly. For Engineering insurance portfolio and Engineering proportional reinsurance portfolio, the pattern will be derived based on the current Saudi Central Bank method, which assumes that the risk will increase linearly over the coverage period.

vii. Onerosity determination

Under the PAA, the Company assumes that no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise.

If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

viii. Reinsurer Default provision

For reinsurer non-performance provisions, a loss given default is applied, primarily for treaty reinsurers where credit ratings are known.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

ix. VAT treatment

The Company include transaction-based taxes such as value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis as part of the cash flows within the boundary and form part of LRC, however it is paid directly and excluded from insurance service results.

f) Accounting Policy Choices

i. Length of Cohorts

Under the guidance of the IFRS 17 entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business, since it determines a corresponding time limit.

Which enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and would result in increased measurement requirements.

The fact that in KSA the financial reporting period for insurance companies is defined as a quarter, the Company has decided the length of cohort to be on an annual basis.

ii. Use of other comprehensive income CI for Insurance finance income or expense

In reference to the presentation in statement of income – Insurance finance income or expense, the Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.

iii. Unwinding of Discount on Risk Adjustment

In reference to the presentation in statement of income - Disaggregation of risk adjustment, the Company has decided that the entire risk adjustment will be presented in the insurance service results.

iv. Expense Attribution

The process of classification and allocation of expenses is in accordance with the guidelines issued by the Central Bank of Saudi Arabia.

v. Deferral of Acquisition Cost

In reference to the recognition of acquisition costs, the Company has decided to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

vi. Policyholder Surplus Accounting

Since surplus distribution is a regulatory requirement based on the ultimate profitability of policyholder accounts, no allowance shall be made for the surplus distribution when estimating fulfillment cash flows nor will the surplus distribution be considered to impact the ultimate loss ratio when determining onerosity.

g) Presentation and Disclosure

i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements (including classification changes)

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. The Company recognised in the statement of income (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

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

IFRS 17 required extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance contract, reinsurance contracts and investment contracts with DPF, disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

ii. Choice of Method (full retrospective approach, modified retrospective approach, fair value approach)

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent applicable. However, if full retrospective application for a group of insurance contracts is impracticable, then the Company choose either a modified retrospective approach or a fair value approach. If the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach. The Company has adopted full retrospective approach.

iii. Length of Comparatives

The Company can choose to present the adjusted comparative information for any period before the beginning of the annual reporting period immediately preceding the date of initial application. However, the Company is not required to do so.

If the Company does present adjusted comparative information for any earlier periods, then this shall be read as 'the beginning of the earliest adjusted comparative period presented'.

The Company has decided not to present the adjusted comparative information for any period before the beginning of the annual reporting period immediately preceding the date of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 17 Insurance Contracts (continued)

h) Transition Impact

i. Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes before zakat and tax is an increase in the Company's total equity by SAR 2.5 million. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim financial statements for the period ending 31 March 2023.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January, 2022
Changes in measurement of insurance contract liabilities	*Increase by SAR 18.5 Million*
Changes in measurement of reinsurance contract assets	*Decrease by SAR 16 Million*
Total Impact	*Increase by SAR 2.5 Million*

ii. Impact on Liabilities and Assets

	Impact on transition to IFRS 17 on Jan 1, 2022
Liabilities	
Risk Adjustment	*Increase by SAR 3.3 Million*
Loss Component	*Increase by SAR 2 Million*
CSM	*Decrease by SAR 2.4 Million*
Allowances for all possible outcomes	*Decrease by SAR 20.7 Million*
Other drivers	*Decrease by SAR 0.7 Million*
Total Impact on Liabilities	Decrease by SAR 18.5 Million
Assets	
Reinsurance Risk Adjustment	*Increase by SAR 3.1 Million*
Reinsurance Loss Component	*Increase by SAR 0.2 Million*
Allowances for all possible outcomes	*Decrease by SAR 19.3 Million*
Total Impact on Assets	Decrease by SAR 16 Million

The assessment above is a point in time estimate and is not a forecast. The Company continues to refine its models, methodologies, assumptions and systems as well as monitoring regulatory developments ahead of the IFRS 17 adoption on 1 January 2023. Therefore, the actual effect of the implementation of IFRS 17 on the Company could vary from these estimates due to refinement of above stated matters.

Sources of Uncertainties

The Company's core technical system, accounting system and IFRS 17 solution are not integrated and are capturing and processing the information independently based on manual inputs as per the defined templates. The plan for integration and seamless flow of input and output data is already in consideration and will be rolled out after transitioning to IFRS 17.

IFRS 9 Financial Instruments

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

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed through a finance team and support of consultants. The preparation for IFRS 9 has required some changes to the Company's reporting systems and the Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs for the year 2021 and for the period ended June 2022.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 9 Financial Instruments (continued)

Significant judgement and accounting policy choices

1. Financial assets – Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVSI"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, a financial asset is classified on the basis of both:

a. the entity's business model for managing the financial asset; and
b. the contractual cash flow characteristics of the financial asset.

The classification and measurement review consists of two parts:

A business model assessment is the initial point for classification and measurement of financial assets as per the IFRS 9 Guidance. The Company assesses the objective of a business model in which an asset is held at a portfolio level. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.; and

A contractual cash flows characteristics assessment based on a thorough desk-based review of a sample of specifically selected contracts to provide a provisional conclusion on whether or not the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the "SPPI assessment"). The SPPI assessment was conducted on the following financial assets:
> Premium receivables
> Reinsurance receivables
> Investments

2. Financial assets – Impairment

IFRS 9 does not prescribe specific approaches used to estimate ECL but emphasizes that the approach adopted must reflect probability weighted outcome, time value of money and forward-looking information.

Considering the nature and composition of the Company's portfolios, the Company has used "General approach" for Premium Receivables, Reinsurance Receivables and Investment Portfolio.

IFRS 9 impairment applies to financial instruments that are not measured at Fair Value through Statement of Income (FVSI). Equity instruments measured at Fair Value through Other Comprehensive Income (FVOCI) are also excluded from the purview of impairment.

Premium Receivables

In order to define event of default, it is assumed that defaults take place at greater than 365 days ageing. Vasicek single factor model has been developed for macroeconomic overlay. IMF April 2022 forecast for KSA region is applied for estimating macroeconomic overlay. For applying the macroeconomic overlay, the Company has used GDP changes as a macroeconomic variable. For asset correlation computation, the Company has used the formula prescribed under Basel norms ("Basel formula'); and for probability weighted PD, the Company has used the base and best/worst case scenarios along with respective weightages.

Reinsurance Receivables

The Company has deployed the rating methodology for reinsurance receivables. In arriving Probability of Default (PD) values, the Company has used S&P Global Rating Transition Matrix for Emerging Market for Corporates. Modifiers in same rating grade were given same PDs, i.e. AA+, AA- are assigned an equivalent PD as 'AA' and A+, A- are assigned an equivalent PD of 'A'. Additionally, the Company has imputed 'BB' rating as a surrogate for unrated counterparties. LGD is assumed as 100% underlying the Company's conservative approach towards risk management. For Sovereign bonds, the Company has applied a PD based on its external rating. Vasicek single factor model has been developed for macroeconomic overlay. For applying Macroeconomic overlay, the Company has used GDP change as a macroeconomic variable. For asset correlation computation, the Company has used the Basel formula. For probability weighted PD, the Company has used base and best/worst case scenarios along with respective weightages.

Investment Portfolio including Cash and Cash Equivalents

From investment portfolio, the Company have excluded Equities and Mutual funds for ECL computation. In case of unrated instruments, rating grade of issuer with one notch down is considered as final rating of the instrument. In case of cash the same was considered stage 1. For arriving at Probability of Default (PD) Values, the Company have used S&P Global Rating Transition Matrix for Emerging Market for Corporates. Vasicek single factor model is applied for macroeconomic overlay based on IMF's April 2022 forecast for KSA region.

3. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income;

The remaining amount of the change in the fair value will be presented in the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

IFRS 9 Financial Instruments (continued)

4. Transition

The Company estimates that on adoption of IFRS 9, the impact of these changes before zakat and tax is an increase in Company's equity by SAR 15 million to SAR 20 million at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim financial statements for the period ending 31 March 2023. The Company is not expecting material changes in the classification and measurement of financial assets.

Drivers of changes in equity	*Impact of equity on transition to IFRS 9 on 1 January 2022*
Impairment of financial assets	*Increase of SAR 15 million to SAR 20 million*

3.2 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. This comprises of cash in hand, bank balances and Murabaha deposits with an original maturity of three months or less.

3.3 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.

3.4 Impairment of financial assets

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

Evidence of impairment may include:

a) significant financial difficulty of the issuer or debtor;

b) a breach of contract, such as a default or delinquency in payments;

c) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

d) the disappearance of an active market for that financial asset because of financial difficulties; or

e) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

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

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:
- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

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

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

3.4 Impairment of financial assets (continued)

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

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

3.5 Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other expenses / income - net" in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 6 fall under the scope of IFRS 4 "Insurance contracts". Receivables are also analyzed as per the ageing and accordingly provision is maintained on a systematic basis.

3.6 Foreign currencies

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

3.7 Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3.15 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position - insurance operations' representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

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

3.8 Provisions, accrued expenses and other liabilities

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

3.9 Investments

3.9.1 Available-for-sale investments (AFS)

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

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

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

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

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

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

3.9.2 Fair Value through Statement of Income

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

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

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

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

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

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only ir 'rare circumstances'.

3.9 Investments (Continued)

3.9.3 Held to maturity

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in value. Amortized 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 recognized in the statement of income when the investment is derecognized or impaired.

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

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

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

3.10 Property and Equipment

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

Leasehold improvements	5
Furniture, fittings and office equipments	5
Computer equipment	3-5

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "other (expenses) / income - net" in the statement of income.

3.11 Intangible assets

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

3.11.1 Capital work-in-progress

Capital work-in-progress, if any, includes software that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category i.e. intangible assets, and amortized in accordance with the Company's policy.

3.12 Impairment of non-financial assets

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

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

3.13 Retirement benefit obligation

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

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

3.13 Retirement benefit obligation (Continued)

Past service cost are recognized in statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non routine settlements
- Net special commission expense or income

3.14 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk depends upon the probability of occurrence 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 is significantly reduced subsequently unless all rights and liabilities are extinguished or expired.

3.15 Liability adequacy test

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

3.16 Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis.

Zakat

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

Deferred tax

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

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

Deferred tax asset has not been provided in these financial statements for the year ended 31 December 2022.

3.17 Revenue recognition

Recognition of premium and commission revenue

Premiums and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term engineering policies. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;
- Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy; and

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

3.17 Revenue recognition (continued)

Recognition of premium and commission revenue (continued)

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

3.18 Claims

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

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

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

3.19 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.

3.2 Deferred policy acquisition costs

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

3.21 Offsetting

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

3.22 Trade date accounting

All routine purchases and sales of financial assets are initially recognized / derecognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provisions of the instrument). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3.23 De-recognition of financial instruments

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

3.24 Operating segments

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

1) Fire and property

2) Marine

3) General Accident

4) Engineering

5) Motor insurance.

6) Protection and Savings

7) Medical - coverage for health insurance.

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

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

3.25 Fair values

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

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

3.26 Surrenders and maturities

Surrenders refer to the partial or full termination of the individual life insurance contract. Surrenders are accounted for on the basis of notifications received and are charged to statement of income in the period in which they are notified. Maturities refers to the amount given to the insured towards the end of the maturity period of the individual life contract.

Surrenders and maturities are calculated based on the terms and conditions of the respective life insurance contract.

4 CASH AND CASH EQUIVALENTS

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Cash in hand	10	-	10	45	-	45
Cash at banks – current accounts	42,173	27,095	69,268	133,169	115,100	248,269
Short term Murabaha deposits	33,538	-	33,538	-	-	-
Total	75,721	27,095	102,816	133,214	115,100	248,314

Cash at bank includes an amount of SAR 39.9 million (2021: SAR 230.88 million) held with Alinma Bank, a related party (note 13). Short term Murabaha deposits are placed with local banks that have investment grade rating and have an original maturity of not more than three months from the date of acquisition.

5 INVESTMENTS

This represents investment in Najm for Insurance Services Company (classified as available for sale), equity shares, Shari'ah compliant mutual funds, discretionary portfolios and real estate fund (classified as investment at fair value through income statement "FVSI") and sukuks (classified as held to maturity investments).

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Available for sale investments	-	1,923	1,923	-	1,923	1,923
Investments at fair value through statement of income (FVSI)	6,620	42,182	48,802	131	30,760	30,891
Investments at held to maturity	19,243	30,000	49,243	-	10,000	10,000
Total	25,863	74,105	99,968	131	42,683	42,814

The movement during the year is as follows:

5.1 Available for sale investments

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Balance at the beginning and end	-	1,923	1,923	-	1,923	1,923

The investment is carried at cost. Management considers that carrying amount is a reasonable approximation of fair value.

5 INVESTMENTS (continued)

5.2 Investments at fair value through statement of income (FVSI)

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	**131**	**30,760**	**30,891**	727	31,806	32,533
Purchases	**103,869**	**106,430**	**210,299**	141,000	-	141,000
Disposals	**(97,812)**	**(94,879)**	**(192,691)**	(142,500)	(2,448)	(144,948)
Realized gain/(loss)	**150**	**(288)**	**(138)**	904	1,498	2,402
Unrealized gain/(loss)	**282**	**159**	**441**	-	(96)	(96)
Balance at the end	**6,620**	**42,182**	**48,802**	131	30,760	30,891

5.3 Investments at held to maturity

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	-	**10,000**	**10,000**	-	15,000	15,000
Subscriptions / redemptions	**19,191**	**20,000**	**39,191**	-	(5,000)	(5,000)
Amortization gain	**52**		**52**	-	-	-
Balance at the end	**19,243**	**30,000**	**49,243**	-	10,000	10,000

Investments held to maturity have a tenure of five years with quarterly profit distribution, yielding an average profit rate of 4.39% per annum (2021: 5.10% per annum).

Management considers that carrying amount is a reasonable approximation of fair value.

6 PREMIUMS AND REINSURANCE RECEIVABLES - NET

Insurance Operations	**As at 31 December 2022**	As at 31 December 2021
	SAR'000	SAR'000
Policyholders	**120,530**	76,644
Related party (note 13)	**512**	3,507
Reinsurance receivables	**23,300**	31,898
	144,342	112,049
Provision for doubtful receivables	**(29,148)**	(39,072)
	115,194	72,977

These balances comprise amounts receivable from a number of corporate customers as well as insurance and reinsurance companies. Arrangements with reinsurers normally require settlement within a mutually agreed period.

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

The five largest customers accounts for 22% (December 31, 2021: 23%) of the premiums receivable as at December 31, 2022.

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the statement of income. It is not the practice of the Company to obtain collateral over receivables.

Movement in the provision for doubtful receivables is as follows:

	As at 31 December 2022	As at 31 December 2021
	SAR'000	SAR'000
Balance at the beginning	**39,072**	33,969
(Reversed) / provided during the year	**(9,924)**	5,103
Balance at the end	**29,148**	39,072

The age analysis of net premiums and reinsurance receivables arising from insurance contracts is as follows:

- Policyholders' and Reinsurers

	Neither past due nor impaired	**Past due but not impaired**				**Past due and impaired**	**Total**
		Up to 3 months	**3 to 6 months**	**6 to 12 months**	**Above 12 months**		
	SAR '000	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**
2022	**29,935**	**59,249**	**15,979**	**7,027**	**31,640**	**(29,148)**	**114,682**
2021	16,687	28,682	10,272	8,813	44,088	(39,072)	69,470

- Related party

	Neither past due nor impaired	**Past due but not impaired**				**Past due and impaired**	**Total**
		Up to 3 months	**3 to 6 months**	**6 to 12 months**	**Above 12 months**		
	SAR '000	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**	**SAR '000**
2022	**512**	**-**	**-**	**-**	**-**	**-**	**512**
2021	3,507	-	-	-	-	-	3,507

7 TECHNICAL RESERVES

7.1 MOVEMENT IN UNEARNED PREMIUMS

	As at 31 December 2022			As at 31 December 2021		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
		SAR'000			SAR'000	
Balance at the beginning	**157,161**	**(103,695)**	**53,466**	133,049	(96,511)	36,538
Premium written	**438,585**	**(230,191)**	**208,394**	305,554	(146,784)	158,770
Policy fee	**75**	**-**	**75**	44	-	44
Premium earned	**(346,102)**	**158,292**	**(187,810)**	(281,486)	139,600	(141,886)
Balance at the end	**249,719**	**(175,594)**	**74,125**	157,161	(103,695)	53,466

7.2 NET OUTSTANDING CLAIMS AND RESERVES

	As at 31 December 2022	As at 31 December 2021
	SAR'000	**SAR'000**
Outstanding claims	**113,374**	57,521
Less: Realizable value of salvage and subrogation	**-**	(3,357)
	113,374	54,164
Incurred but not reported claims	**38,445**	42,981
Other reserves	**4,060**	3,321
Premium deficiency reserves (note 7.3)	**3,305**	5,510
	159,184	105,976
Less: Reinsurers' share of outstanding claims	**(72,861)**	(23,047)
Less: Reinsurers' share of Incurred but not reported claims	**(19,452)**	(21,875)
	(92,313)	(44,922)
Net outstanding claims and reserves	**66,871**	61,054

7.3 PREMIUM DEFICIENCY RESERVE

The Company has created a provision in respect of premium deficiency reserves ('PDR') for its motor line of business amounting to SAR 3.3 million (31 December 2021: motor SAR 5.5 million). The PDR has been created with respect to additional reserve required to cover expected claims not initially built in the premium. The Company expected this provision based on the assumption that the unearned premiums will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of policies in force at the date of statement of financial position.

7 TECHNICAL RESERVES (Continued)

7.4 UNIT LINKED INVESTMENTS AND LIABILITIES

Unit Linked Assets Movement

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	**85,653**	-	**85,653**	57,149	-	57,149
Purchased during the year	**30,595**	-	**30,595**	27,738	-	27,738
Sold during the year	**(16,233)**	-	**(16,233)**	(14,316)	-	(14,316)
	100,015	-	**100,015**	70,571	-	70,571
Net changes in fair values of investments	**(1,742)**		**(1,742)**	15,082		15,082
Balance at the end	**98,273**	-	**98,273**	85,653	-	85,653

Unit Linked Liabilities Movement

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	**85,653**	-	**85,653**	57,149	-	57,149
Additions during the year	**14,362**	-	**14,362**	13,422	-	13,422
	100,015	-	**100,015**	70,571	-	70,571
Net changes in fair values of investments	**(1,742)**	-	**(1,742)**	15,082	-	15,082
Balance at the end	**98,273**	-	**98,273**	85,653	-	85,653

7.5 MATHEMATICAL RESERVE

During the year ended 31 December 2022 the Company has recorded a non-unit reserve of SAR 1.2 million (2021: SAR 1.6 million), pertaining to individual life. The reserve is calculated based on the present value of future assumed expenses less the present value of future income arising from charges on all individual life policies.

8 MOVEMENT IN DEFERRED POLICY ACQUISITION COSTS

Insurance Operations	**As at 31 December 2022**	As at 31 December 2021
	SAR'000	SAR'000
Balance at the beginning	**9,708**	7,638
Incurred during the year	**39,598**	28,809
Amortized during the year	**(36,697)**	(26,739)
Balance at the end	**12,609**	9,708

9 PREPAYMENTS AND OTHER ASSETS

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Prepayments	**1,212**	**3,067**	**4,279**	1,729	97	1,826
Bank guarantees	**1,300**	**-**	**1,300**	1,884	-	1,884
Other receivables	**17,321**	**-**	**17,321**	5,159	2,448	7,607
Accrued income	**753**	**936**	**1,689**	-	82	82
	20,586	**4,003**	**24,589**	8,772	2,627	11,399

10 STATUTORY DEPOSIT

	As at 31 December 2022	As at 31 December 2021
	SAR' 000	SAR' 000
Statutory deposit	**45,000**	45,000

In accordance with the Saudi Arabian Implementing Regulations issued by SAMA, the Company has deposited an amount equivalent to 15% (2020: 15%) of its paid up share capital in a bank account designated by SAMA. This is a restricted deposit and cannot be utilized in the operations of the Company.

11 PROPERTY AND EQUIPMENT

	Leasehold improvements	**Computer Equipments**	**Furniture, fittings and office equipments**	**Total 2022**	Total 2021
			SAR'000		
Cost:					
Balance at the beginning	6,678	7,006	3,021	16,705	16,570
Additions				-	135
Disposals				-	-
Balance at the end	6,678	7,006	3,021	16,705	16,705
Accumulated depreciation:					
Balance at the beginning	5,141	5,818	2,593	13,552	11,633
Charge for the year	776	665	273	1,714	1,919
Depreciation on disposal				-	-
Balance at the end	5,917	6,483	2,866	15,266	13,552
Net book value					
31 December 2022	**761**	**523**	**155**	**1,439**	
31 December 2021	1,537	1,188	428		3,153

12 INTANGIBLE ASSETS

	Intangible assets	**Capital work in progress**	**Total 2022**	Total 2021
		SAR'000		
Cost:				
Balance at the beginning	15,086	3,804	18,890	17,778
Additions	212	1,623	1,835	1,112
Balance at the end	15,298	5,427	20,725	18,890
Accumulated amortization:				
Balance at the beginning	13,506	-	13,506	11,578
Charge for the year	1,034		1,034	1,928
Balance at the end	14,540	-	14,540	13,506
Net book value				
31 December 2022	**758**	**5,427**	**6,185**	
31 December 2021	1,580	3,804		5,384

13 TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Company transacts with related parties. Transactions with related parties are carried out on an arm's length basis.

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. In addition to the notes 4 and 6, following are the details of major related party transactions during and the related balances at the end of the year:

Nature of transactions	**For the year ended 31 December 2022**			For the year ended 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Shareholders:						
Gross written premiums	**52,986**	**-**	**52,986**	42,966	-	42,966
Reinsurance premiums ceded	**2,942**	**-**	**2,942**	9,707	-	9,707
Claims paid - net of recoveries	**23,193**	**-**	**23,193**	21,764	-	21,764
Reinsurance commission	**820**	**-**	**820**	2,621	-	2,621
Reinsurance share of claims	**442**	**-**	**442**	713	-	713
General and administrative expenses	**896**	**70**	**966**	897	75	972
Other Related parties:						
Investments	**14,362**	**7,000**	**21,362**	42,872	-	42,872
Commission	**3,124**	**-**	**3,124**	3,723	-	3,723
General and administrative expenses	**-**	**-**	**-**	42	-	42

Closing Balances

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Shareholders:						
Premiums Receivable	**512**	**-**	**512**	3,507	-	3,507
Reinsurance premiums payable	**4,485**	**-**	**4,485**	12,838	-	12,838
Claims payable	**65**	**-**	**65**	917	-	917
Bank Balance	**37,776**	**2,095**	**39,871**	115,784	115,099	230,883
General and administrative expenses	**-**	**-**	**-**	-	-	-
Other related parties						
Investments	**98,273**	**22,938**	**121,211**	85,653	30,758	116,411
Other receivable	**-**	**1**	**1**	-	36	36
Commission	**2,289**	**-**	**2,289**	625	-	625

13 TRANSACTIONS WITH RELATED PARTIES (Continued)

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

Information relating to key management personnel:

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Short term benefits	4,302	-	4,302	3,443	-	3,443
Long term benefits	397	-	397	761	-	761

Short term benefits include salaries and allowances whilst long term benefits include employees' retirement benefit obligation.

Board and sub committees related

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Directors' remuneration	-	1,700	1,700	-	1,622	1,622
Attendance fees	-	87	87	-	218	218

Board and sub-committees attendance fees represent allowance for attending board and sub-committee meetings.

14 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SAR'000			SAR'000		
Accrued expenses	6,582	3,063	9,645	10,543	3,106	13,649
Brokers commission	20,919	-	20,919	13,671	-	13,671
Payable to policyholders	3,753	-	3,753	3,137	-	3,137
Payable to local and regulatory authorities	1,393	-	1,393	7,354	-	7,354
Other payables	3,258	1,393	4,651	6,687	1,393	8,080
	35,905	4,456	40,361	41,392	4,499	45,891

15 ZAKAT AND INCOME TAX PAYABLE

Zakat

Zakat provision is based on the following:

	As at 31 December 2022 SAR'000	As at 31 December 2021 SAR'000
Share capital	**300,000**	300,000
Reserves, opening provisions and other adjustments	**39,834**	45,742
Brought forward losses	**(112,830)**	(98,427)
Book value of long term assets	**(70,000)**	(68,989)
Zakat base before adjusted loss	**157,004**	178,326
Saudi Shareholder's share of Zakat base @71.25%		
Zakat on Zakat base prior to net adjusted loss @ 2.5777%	**2,884**	3,275
Net Adjusted loss for the year	**11,295**	(3,533)
Zakat on Net adjusted loss for the year @ 2.5%	**201**	(63)
Zakat due	**3,085**	3,212

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Zakat payable	-	**5,510**	**5,510**	-	6,699	6,699
Income tax payable	-	**23**	**23**	-	-	-
Zakat and Income tax payable	-	**5,533**	**5,533**	-	6,699	6,699

The difference between the accounting income and the adjusted net loss is mainly due to provisions which are not allowed in the calculation of adjustable net income. Local shareholding used for the Zakat calculation is 71.25%.
The movement in Zakat provision is as follows:

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	-	**6,699**	**6,699**	-	6,879	6,013
Zakat charge	-	**2,294**	**2,294**	-	3,212	3,464
Additional charge for prior years	-	-	-	-	4	681
Zakat payment made	-	**(3,483)**	**(3,483)**	-	(3,396)	(3,279)
Balance at the end	-	**5,510**	**5,510**	-	6,699	6,879

Income tax:

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholder of the Company. Foreign shareholder subject to income tax is 28.75%.

The movement in income tax provision is as follows:

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Balance at the beginning	-	-	-	-	196	196
Reversal of prior year charge	-	**23**	**23**	-	-	-
Advance Income tax paid	-	-	-	-	(196)	(196)
Balance at the end	-	**23**	**23**	-	-	-

15 ZAKAT AND INCOME TAX PAYABLE (Continued)

Status of Assessments

Zakat and Withholding tax

During 2017, the Zakat, Tax and Customs Authority (ZATCA) has issued assessments for the years from 2012 to 2015, requiring an additional zakat and Withholding Tax liability amounting to SAR 5.5 million and SAR 2.9 million respectively. The Company filed an appeal against the assessment of ZATCA for the additional liability arising out of various disallowances for years from 2012 to 2015 within the statutory deadlines. Subsequently, the ZATCA issued their response on the above appeal whereby they requested the Company to forward their appeal at the General Secretariat of Tax Committee (GSTC). Subsequent to the GSTC hearings conducted, the Tax Violations and Dispute Resolution Committee (TVDRC) has issued their ruling no. 315-2020-IFR dated 08/05/1442H on the appeals filed for 2012 to 2015. In Jan 2021, the Company has filed an appeal to the Appellate Committee (2nd level) against the unfavorable ruling of the TVDRC on the imposition of Zakat on capital for 2012. For the years 2012 to 2015, the Company has two appeals with GSTC as case no. 35217-2021-ZIW (at GSTC level 2) and case no. 10448-2019-ZI (at GSTC level 1) Still under review. Further, the Company has booked an additional zakat liability of SAR 2.4 million against the above disallowance. The Company has obtained limited certificates for the year from 2012 to 2020.

Value added tax (VAT)

The Company was assessed by the ZATCA and received their final assessment notice on 10 September 2020. The total assessment was SAR 10.2 million which was made up of SAR 4.4 million of VAT due to the ZATCA and SAR 5.8 million of penalties. On the basis that Company paid the VAT amount, SAR 5.8 million of penalties was waived by ZATCA under the 2020 Amnesty Scheme.

16 RETIREMENT BENEFIT OBLIGATION

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

The following tables summarize the components of retirement benefit obligation recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

Principal actuarial assumption at:	**As at 31 December 2022**	As at 31 December 2021
Discount rate	**4.60%**	2.30%
Expected rate of salary increase	**4.00%**	2.00%

16.1 Amount recognized in the statement of financial position

Insurance Operations	**As at 31 December 2022**	As at 31 December 2021
	SAR'000	SAR'000
Present value of retirement benefits obligation	**6,406**	6,018
Fair value of retirement benefit obligation	**6,406**	6,018
Net liability at the end	**6,406**	6,018

16.2 Amount recognized in the statement of income

Insurance Operations	**As at 31 December 2022**	As at 31 December 2021
	SAR'000	SAR'000
Current service cost	1,442	1,263
Commission rate cost	136	104
Benefit expense	1,127	1,401

16 RETIREMENT BENEFIT OBLIGATION (Continued)

16.3 Reconciliation of present value of defined benefit obligation

Insurance Operations	**As at 31 December 2022 SAR'000**	As at 31 December 2021 SAR'000
Present value of retirement benefit obligation at the beginning	**6,018**	5,601
Current service cost	**1,442**	1,263
Commission rate cost	**136**	104
Actuarial (gain)/loss on retirement benefit obligation	**(63)**	451
Benefits paid	**(1,127)**	(1,401)
Present value of retirement benefit obligation at the end	**6,406**	6,018

16.4 Movement in net liability recognized in statement of financial position:

Insurance Operations	**As at 31 December 2022 SAR'000**	As at 31 December 2021 SAR'000
Net liability at the beginning	**6,018**	5,601
Charge recognized in statement of income	**1,578**	1,367
Actuarial (gain)/loss recognized in other comprehensive income	**(63)**	451
Retirement benefit obligation paid	**(1,127)**	(1,401)
Net liability at the end	**6,406**	6,018

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

	31 December 2022	31 December 2021
Valuation discount rate		
- Increase by 1%	**-8.33%**	-8.73%
- Decrease by 1%	**9.60%**	10.13%
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**9.83%**	10.32%
- Decrease by 1%	**-8.67%**	-9.05%
Mortality rate		
- Increase by 10%	**-0.01%**	-0.02%
- Decrease by 10%	**0.01%**	0.02%
Employee turnover		
- Increase by 10%	**-0.80%**	-0.99%
- Decrease by 10%	**0.86%**	1.06%

17 ISSUED, AUTHORISED AND PAID UP SHARE CAPITAL

The issued, authorized and paid up share capital of the Company was SAR 300 million as at 31 December 2022 (31 December 2021: SAR 300 million) consisting of 30 million shares (31 December 2021: 30 million) of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	No. of shares	**Value per share**	**Share Capital SAR**	No. of shares	Value per share	Share Capital SAR
Alinma Bank	**8,625,000**	**10**	**86,250,000**	8,625,000	10	86,250,000
Tokio Marine & Nichido Fire Insurance	**8,625,000**	**10**	**86,250,000**	8,625,000	10	86,250,000
Others	**12,750,000**	**10**	**127,500,000**	12,750,000	10	127,500,000
	30,000,000	**10**	**300,000,000**	30,000,000	10	300,000,000

18 CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as a going concern and comply with the regulator's capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid up share capital, reserves and accumulated losses.

The Company maintains its capital as per guidelines laid out by Saudi Central Bank (SAMA) in Article 66 table 3 and 4 of the Implementing Regulations detailing the solvency margin required to be maintained. The Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with all the externally imposed Capital requirements with sound solvency margin. The Capital structure of the Company as at 31 December 2022 consists of paid up share Capital of SAR 300 million (31 December 2021: SAR 300 million) and accumulated losses of SAR 102.8 million (31 December 2021: SAR 112.8 million) in the statement of financial position.

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

19 NET EARNED PREMIUMS

Insurance Operations	**For the year ended 31 December 2022**	For the year ended 31 December 2021
	SAR'000	SAR'000
Gross written premiums	**438,585**	305,554
Gross unearned premiums at the beginning	**157,161**	133,049
Gross unearned premiums at the end	**(249,719)**	(157,161)
Gross earned premiums	**346,027**	281,442
Fee income from insurance contracts	**75**	44
Reinsurance premiums ceded	**(220,468)**	(138,753)
Excess of loss expenses	**(9,723)**	(8,031)
	(230,191)	(146,784)
Reinsurers' share of unearned premiums at the beginning	**(103,695)**	(96,511)
Reinsurers' share of unearned premiums at the end	**175,594**	103,695
Reinsurance Premiums earned	**(158,292)**	(139,600)
Net earned premiums	**187,810**	141,886

20 GENERAL AND ADMINISTRATIVE EXPENSES

	As at 31 December 2022			As at 31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Employees cost	**36,226**	-	**36,226**	34,630	-	34,630
Maintenance	**6,598**	-	**6,598**	5,667	-	5,667
Depreciation and amortization	**2,748**	-	**2,748**	3,847	-	3,847
Depreciation on right to use assets	**1,231**	-	**1,231**	1,257	-	1,257
Legal and professional fees	**1,250**	**1,387**	**2,637**	2,870	1,806	4,676
Najm Expense	-	-	-	1,050	-	1,050
Value added tax expense	**4,580**	-	**4,580**	3,734	-	3,734
Others	**10,069**	**824**	**10,893**	8,343	699	9,042
Directors' remuneration (note 13)	-	**1,700**	**1,700**	-	1,622	1,622
Board and sub-committee attendance fee (note 13)	-	**87**	**87**	-	218	218
	62,702	**3,998**	**66,700**	61,398	4,345	65,743

21 INVESTMENTS AND OTHER INCOME

	As at 31 December 2022			As at 31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Investments at fair value through statement of income (FVSI)						
- Realized gain/(loss) during the year	**150**	**(237)**	**(87)**	904	1,498	2,402
- Unrealized gain/(loss) during the year	**282**	**159**	**441**	-	(96)	(96)
- Dividend during the year	-	-	-	-	174	174
	432	**(78)**	**354**	904	1,576	2,480
Investments held to maturity						
- Income on redemption of Sukuk	-	**732**	**732**	-	559	559
- Accrued income on Sukuk	**203**	**290**	**493**	-	82	82
	203	**1,022**	**1,225**	-	641	641
Income from Murabaha deposits						
- Income on Murabaha Deposit maturity	**2,037**	**1,356**	**3,393**	672	1,508	2,180
- Accrued income on Murabaha Deposit	**253**	**612**	**865**	-	-	-
	2,290	**1,968**	**4,258**	672	1,508	2,180

22 BASIC AND DILUTED EARNIG/(LOSS) PER SHARE

Earning/(loss) per share has been calculated by dividing the net profit/(loss) by the weighted average number of outstanding shares.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Net profit/(loss) (SAR "000")	**8,600**	(14,403)
Weighted average number of ordinary shares ("000")	**30,000**	30,000
Earning/(oss) per share SAR	**0.29**	(0.48)

23 CONTINGENCIES AND COMMITMENT

As at 31 December 2022, the Company's banker has issued letters of guarantee of SAR 1.3 million (2021: SAR1.88 million) to various customers, motor agencies, workshops and health service providers as per the terms of their respective agreements which have been classified under prepayments and other assets in the statement of financial position. The Company has no capital commitments as at 31 December 2022 and 31 December 2021.

Following table lists the legal proceedings in the ordinary course of business that the Company is subject to.

	As at December 2022	As at December 2021
	SAR'000	SAR'000
Claims related compensation	**288,823**	842

24 SEGMENT REPORTING

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

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

Segment information is presented in respect of the Company's business segments which are property & casualty, motor, protection & savings and medical based on the Company's management and internal reporting structure. The property and casualty segment comprises of fire & property, marine, accident & liability and engineering segments.

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

Segment assets do not include cash and bank balances, investments, premiums and reinsurance receivables, due from shareholders' operations, prepayments and other assets and fixed assets.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and retirement benefit obligation.

Segment results do not include general and administrative expenses.

The unallocated assets and liabilities are reported to the Chief Executive Officer on a cumulative basis and not reported under the related segment.

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the Chief Executive Officer.

24 SEGMENT REPORTING (Continued)

	For the year ended 31 December 2022						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	237,248	113,456	79,943	7,938	438,585	-	438,585
- Corporate	157,504	27,345	43,469	-	228,318	-	228,318
- Medium business	47,345	43,580	3,036	2	93,963	-	93,963
- Small business	26,176	19,841	-	-	46,017	-	46,017
- Very small business	6,223	5,208	-	-	11,431	-	11,431
- Retail	-	17,482	33,438	7,936	58,856	-	58,856
Fee income from Insurance contracts	46	29	-	-	75	-	75
Reinsurance premiums ceded							
- Local	(6,626)	-	-	-	(6,626)	-	(6,626)
- Foreign	(192,711)	-	(21,131)	-	(213,842)	-	(213,842)
Excess of loss expenses	(7,661)	(2,062)	-	-	(9,723)	-	(9,723)
Net premiums written	30,296	111,423	58,812	7,938	208,469	-	208,469
Net change in unearned premiums	(2,988)	(9,203)	(2,444)	(6,024)	(20,659)	-	(20,659)
Net premiums earned	27,308	102,220	56,368	1,914	187,810	-	187,810
Reinsurance commission earned	21,299	-	-	-	21,299	-	21,299
Other underwriting income	9,138	28	-	1,995	11,161	-	11,161
Total insurance revenues	57,745	102,248	56,368	3,909	220,270	-	220,270
UNDERWRITING COSTS AND EXPENSES							
Net claims incurred	(12,120)	(67,185)	(25,267)	(613)	(105,185)	-	(105,185)
Changes in mathematical reserves	-	-	358	-	358	-	358
Changes in unit linked reserves	-	-	(12,620)	-	(12,620)	-	(12,620)
Policy acquisition costs	(14,888)	(12,629)	(9,180)	-	(36,697)	-	(36,697)
Other underwriting expenses	(437)	(368)	(260)	(119)	(1,184)	-	(1,184)
Total underwriting costs and expenses	(27,445)	(80,182)	(46,969)	(732)	(155,328)	-	(155,328)
NET UNDERWRITING INCOME	30,300	22,066	9,399	3,177	64,942	-	64,942
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses					(62,702)	(3,998)	(66,700)
Provision for doubtful receivables					8,580	-	8,580
Unrealized gain on unit linked investments					(1,742)	-	(1,742)
Unrealized loss on investments					738	1,061	1,799
Realized gain on investments					2,187	1,851	4,038
Total operating and other expenses					(52,939)	(1,086)	(54,025)
Profit for the year before attribution and zakat					12,003	(1,086)	10,917
Surplus transferred to Shareholders' operations					(10,803)	10,803	-
Zakat for the year					-	(2,317)	(2,317)
Net profit for the year					1,200	7,400	8,600

24 SEGMENT REPORTING (Continued)

	For the year ended 31 December 2021						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
REVENUES							
Gross premiums written	151,850	84,172	69,415	117	305,554	-	305,554
- Corporate	84,574	18,607	34,867		138,048	-	138,048
- Medium business	50,733	21,074	970	31	72,808	-	72,808
- Small business	15,026	13,314	-	86	28,426	-	28,426
- Very small business	1,502	1,565	-	-	3,067	-	3,067
- Retail	15	29,612	33,578	-	63,205	-	63,205
Fee income from Insurance contracts	40	4	-	-	44	-	44
Reinsurance premiums ceded							
- Local	(5,307)	-	-	-	(5,307)	-	(5,307)
- Foreign	(117,868)	-	(15,578)	-	(133,446)	-	(133,446)
Excess of loss expenses	(6,590)	(1,441)	-	-	(8,031)	-	(8,031)
Net premiums written	22,125	82,735	53,837	117	158,814	-	158,814
Net change in unearned premiums	(6,224)	(10,464)	(198)	(42)	(16,928)	-	(16,928)
Net premiums earned	15,901	72,271	53,639	75	141,886	-	141,886
Reinsurance commission earned	20,162	-	-	-	20,162	-	20,162
Other underwriting income	7,202	99	-	51	7,352	-	7,352
Total insurance revenues	43,265	72,370	53,639	126	169,400	-	169,400
UNDERWRITING COSTS AND EXPENSES							
Net claims incurred	(3,782)	(41,938)	(26,359)	(154)	(72,233)	-	(72,233)
Changes in mathematical reserves	-	-	(1,146)	-	(1,146)	-	(1,146)
Changes in unit linked reserves	-	-	(28,504)	-	(28,504)	-	(28,504)
Policy acquisition costs	(12,306)	(9,295)	(5,138)	-	(26,739)	-	(26,739)
Other underwriting expenses	(733)	(421)	(347)	(1)	(1,502)	-	(1,502)
Total underwriting costs and expenses	(16,821)	(51,654)	(61,494)	(155)	(130,124)	-	(130,124)
NET UNDERWRITING INCOME	26,444	20,716	(7,855)	(29)	39,276	-	39,276
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses					(61,398)	(4,345)	(65,743)
Provision for doubtful receivables					(5,103)	-	(5,103)
Unrealized gain on unit linked investments					15,082	-	15,082
Unrealized gain / (loss) on investments					-	(14)	(14)
Realized gain on investments					1,576	3,739	5,315
Total operating and other expenses					(49,843)	(620)	(50,463)
Loss for the year before zakat					(10,567)	(620)	(11,187)
Zakat for the year					-	(3,216)	(3,216)
Tax for the year					-	-	-
Net loss for the year							(14,403)

24 SEGMENT REPORTING (Continued)

	As at 31 December 2022						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
ASSETS							
Cash and cash equivalents	-	-	-	-	75,721	27,095	102,816
Investments	-	-	-	-	25,863	74,105	99,968
Reinsurers' share of outstanding claims	65,727	-	7,134	-	72,861	-	72,861
Reinsurers' share of incurred but not reported claims	14,859	-	4,593	-	19,452	-	19,452
Reinsurers' share of unearned premiums	173,838	-	1,756	-	175,594	-	175,594
Deferred policy acquisition costs	6,830	5,110	669	-	12,609	-	12,609
Unit linked investments	-	-	98,273	-	98,273	-	98,273
Unallocated assets	-	-	-	-	196,475	103,359	299,834
Total assets					676,848	204,559	881,407

	As at 31 December 2022						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
LIABILITIES							
Outstanding claims	78,632	21,777	12,820	145	113,374	-	113,374
Incurred but not reported claims	19,700	9,213	9,135	397	38,445	-	38,445
Other reserves	1,771	1,809	466	14	4,060	-	4,060
Premium deficiency reserves	-	3,305	-	-	3,305	-	3,305
Mathematical reserve	-	-	1,246	-	1,246	-	1,246
Unearned premiums	192,656	46,499	4,497	6,067	249,719	-	249,719
Unearned reinsurance commission	16,361	-	-	-	16,361	-	16,361
Unit linked liabilities	-	-	98,273	-	98,273	-	98,273
Unallocated liabilities and equity	-	-	-	-	152,065	204,559	356,624
Total liabilities and equity					676,848	204,559	881,407

24 SEGMENT REPORTING (Continued)

	As at 31 December 2021						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
ASSETS							
Cash and cash equivalents	-	-	-	-	133,214	115,100	248,314
Investments	-	-	-	-	131	42,683	42,814
Reinsurers' share of outstanding claims	11,178	-	11,869	-	23,047	-	23,047
Reinsurers' share of incurred but not reported claims	15,064	-	6,811	-	21,875	-	21,875
Reinsurers' share of unearned premiums	103,512	-	183	-	103,695	-	103,695
Deferred policy acquisition costs	5,819	3,819	70	-	9,708	-	9,708
Unit linked investments	-	-	85,653	-	85,653	-	85,653
Unallocated assets	-	-	-	-	101,185	47,663	148,848
Total assets					478,508	205,446	683,954

	As at 31 December 2021						
	Property and Casualty	Motor	Protection and savings	Medical	Total Insurance Operations	Shareholders' operations	Total
	SAR'000						
LIABILITIES							
Outstanding claims	15,775	18,615	19,741	33	54,164	-	54,164
Incurred but not reported claims	19,549	12,044	11,352	36	42,981	-	42,981
Other reserves	549	1,921	849	2	3,321	-	3,321
Premium deficiency reserves	-	5,510	-	-	5,510	-	5,510
Mathematical reserve	-	-	1,604	-	1,604	-	1,604
Unearned premiums	119,340	37,297	481	43	157,161	-	157,161
Unearned reinsurance commission	10,483	-	-	-	10,483	-	10,483
Unit linked liabilities	-	-	85,653	-	85,653	-	85,653
Unallocated liabilities and equity	0	0	0	0	117,631	205,446	323,077
Total liabilities and equity					478,508	205,446	683,954

25 RISK MANAGEMENT

Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 21% of total reinsurance assets at the reporting date.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 49.55% of equity on a gross basis and 2.06% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 19.82% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

2022	**Gross unearned premiums**	**Net unearned premiums**	**Gross outstanding claims**	**Net outstanding claims**
Property and Casualty	**77.15%**	**25.39%**	**69.36%**	**31.85%**
Motor	**18.62%**	**62.73%**	**19.21%**	**53.75%**
Protection and savings	**1.80%**	**3.70%**	**11.31%**	**14.04%**
Medical	**2.43%**	**8.18%**	**0.13%**	**0.36%**
Total	**100%**	**100%**	**100%**	**100%**

2021	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Property and Casualty	75.93%	29.60%	29.12%	14.77%
Motor	23.73%	69.76%	34.37%	59.82%
Protection and savings	0.31%	0.56%	36.45%	25.30%
Medical	0.03%	0.08%	0.06%	0.11%
Total	100%	100%	100%	100%

Concentration of insurance risk

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

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

25 RISK MANAGEMENT (Continued)

Concentration of insurance risk (continued)

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

Sources of uncertainty in estimation of future claim payments:

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

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

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 3.

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

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

Sensitivity analysis

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

25 RISK MANAGEMENT (Continued)
Sensitivity analysis (continued)

A hypothetical 10% change in the claim ratio and average claim cost, net of reinsurance, would impact net underwriting income as follows:

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

	2022	2021
	SAR'000	SAR'000
Motor	**10,222**	8,006
Medical	**191**	54
Protection and savings	**5,637**	4,361
Property and Casualty	**2,731**	1,263

Impact on average claim cost + / - 10%

	2022	2021
	SAR'000	SAR'000
Motor	**6,948**	5,214
Medical	**13**	85
Protection and savings	**1,160**	511
Property and Casualty	**192**	250

Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to preset requirements of the Company's Board of Directors and Technical Committee before approving them for exchange of reinsurance business. As at December 31, 2022 and 2021, there is no significant concentration of reinsurance balances.

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

Market Risk

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

- The Company's risk management policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and the assets are held to deliver income and gains for policyholders which are in line with their expectations.

25 RISK MANAGEMENT (Continued)

Market Risk (continued)

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

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

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals and the foreign currency risk is not significant.

Commission Rate Risk

The Company places deposits that are subject to commission rate risk, with the exception of restricted deposits which are required to be maintained in accordance with SAMA regulations on which the Company does not earn any commission. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 100 basis points in interest yields would result in a change in the loss or gain for the year by SAR 1.8 million (2021: SAR 0.10 million).

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

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
Insurance operations	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**
2022	**103,262**	**-**	**-**	**104,893**	**208,155**
2021	-	-	-	85,784	85,784

	Commission bearing			Non-commission bearing	Total
	Less than 1 year	1 to 5 years	Over 5 years		
Shareholders' operations	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**	**SAR'000**
2022	**80,489**	**-**	**-**	**44,105**	**124,594**
2021	10,000	-	-	32,683	42,683

Other Price Risk

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

The Company's investments amounting to SAR 149 million (2021: SAR 118.5 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of hypothetical change of a 10% increase / 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
2022	**+ / - 10 %**	**+/- 14,900**
2021	+ / - 10 %	+/- 11,847

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2022 and 2021. Accordingly, the sensitivity analysis prepared in not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

25 RISK MANAGEMENT (Continued)
Credit risk

Credit risk is the risk that arises with a possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is mainly concentrated in Saudi Arabia.

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

	As at 31 December 2022			As at 31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
		SAR'000			SAR'000	
Cash and cash equivalents	**75,721**	**27,095**	**102,816**	133,214	115,100	248,314
Premiums and reinsurance receivables, net	**115,194**	**-**	**115,194**	72,977	-	72,977
Reinsurers' share of outstanding claims	**72,861**	**-**	**72,861**	23,047	-	23,047
Investments net of equity investments	**25,863**	**72,182**	**98,045**	131	40,760	40,891
Due from related parties	**-**	**1**	**1**	-	36	36
Murabaha Deposits	**50,481**	**50,489**	**50,489**	-	-	-
Statutory deposit	**-**	**45,000**	**45,000**	-	45,000	45,000
	340,120	**194,767**	**484,406**	229,369	200,896	430,265

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade satisfactory or past due but not impaired.

Insurance operations' financial assets		**Non investment grade 2022**		
	Investment grade	**Satisfactory**	**Past due but not impaired**	**Total**
	SAR'000	**SAR'000**	**SAR'000**	**SAR'000**
Cash and cash equivalents	**75,721**	**-**	**-**	**75,721**
Investments	**-**	**25,863**	**-**	**25,863**
Murabaha Deposits	**50,481**	**-**	**-**	**50,481**
Premiums and reinsurance receivable, net	**-**	**30,447**	**84,747**	**115,194**
Reinsurers' share of outstanding claims	**-**	**72,861**	**-**	**72,861**
31 December 2022	**126,202**	**129,171**	**84,747**	**340,120**

		Non investment grade 2021		
	Investment grade	Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	133,214	-	-	133,214
Investments	-	131	-	131
Premiums and reinsurance receivable, net	-	20,194	52,783	72,977
Reinsurers' share of outstanding claims	-	23,047	-	23,047
31 December 2021	133,214	43,372	52,783	229,369

Shareholders' operations' financial assets		**Non investment grade 2022**		
	Investment grade	**Satisfactory**	**Past due but not impaired**	**Total**
	SAR'000	**SAR'000**	**SAR'000**	**SAR'000**
Cash and cash equivalents	**27,095**	**-**	**-**	**27,095**
Investments	**-**	**72,182**	**-**	**72,182**
Due from related parties	**-**	**1**	**-**	**1**
Murabaha Deposits	**50,489**	**-**	**-**	**50,489**
Statutory deposit	**-**	**45,000**	**-**	**45,000**
31 December 2022	**77,584**	**117,183**	**-**	**194,767**

25 RISK MANAGEMENT (Continued)
Credit risk (continued)

	Investment grade	Non investment grade 2021 Satisfactory	Past due but not impaired	Total
	SAR'000	SAR'000	SAR'000	SAR'000
Cash and cash equivalents	115,100	-	-	115,100
Investments	-	42,683	-	42,683
Statutory deposit	-	45,000	-	45,000
31 December 2021	115,100	87,719	-	202,819

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is not broadly diversified however, transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

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

	As at 31 December 2022			As at 31 December 2021		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
Insurance operations' assets		**SAR'000**			SAR'000	
Cash and cash equivalents	**75,721**	-	**75,721**	133,214	-	133,214
Investments	**25,863**	-	**25,863**	131	-	131
Murabaha deposits	-	**50,481**	**50,481**	-	-	-
Premiums and reinsurance receivables, net	**115,194**	-	**115,194**	72,977	-	72,977
Reinsurers' share of unearned premiums	**175,594**	-	**175,594**	103,695	-	103,695
Reinsurers' share of outstanding claims	**72,861**	-	**72,861**	23,047	-	23,047
Reinsurers' share of incurred but not reported claims	**19,452**	-	**19,452**	21,875	-	21,875
Deferred policy acquisition costs	**12,609**	-	**12,609**	9,708	-	9,708
Prepayments and other assets	**20,586**	-	**20,586**	8,772	-	8,772
Due from shareholders' operations	-	-	-	7,078	-	7,078
Property and equipment	-	**1,439**	**1,439**	-	3,153	3,153
Intangible assets	-	**6,185**	**6,185**	-	5,384	5,384
Right to use assets	-	**2,590**	**2,590**	-	3,821	3,821
Unit linked investments	-	**98,273**	**98,273**	-	85,653	85,653
	517,880	**158,968**	**676,848**	380,497	98,011	478,508

25 RISK MANAGEMENT (Continued)
Liquidity risk (continued)

	As at 31 December 2022			As at 31 December 2021		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Shareholders' assets	SAR'000			SAR'000		
Cash and cash equivalents	27,095	-	27,095	115,100	-	115,100
Investments	74,105	-	74,105	42,683	-	42,683
Murabaha deposits	-	50,489	50,489			
Prepayments and other assets	4,003	-	4,003	2,627	-	2,627
Due from insurance operation	3,866	-	3,866			
Due from a related party	1	-	1	36	-	36
Statutory Deposit	-	45,000	45,000	-	45,000	45,000
	109,070	95,489	204,559	160,446	45,000	205,446

	As at 31 December 2022			As at 31 December 2021		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Insurance operations' liabilities	SAR'000			SAR'000		
Outstanding claims	113,374	-	113,374	54,164	-	54,164
Incurred but not reported claims	38,445	-	38,445	42,981	-	42,981
Other reserves	4,060	-	4,060	3,321	-	3,321
Premium deficiency reserves	3,305	-	3,305	5,510	-	5,510
Unearned reinsurance commission	16,361	-	16,361	10,483	-	10,483
Unearned premiums	249,719	-	249,719	157,161	-	157,161
Reinsurance balances payable	102,307	-	102,307	66,593	-	66,593
Accrued expenses and other liabilities	35,905	-	35,905	41,392	-	41,392
Lease liabilities	1,041	1,538	2,579	1,309	2,580	3,889
Due to related party	-	-	-	-	-	-
Retirement benefit obligation	6,406	-	6,406	6,018	-	6,018
Unit linked liabilities	-	98,273	98,273	-	85,653	85,653
Surplus distribution payable	1,200	-	1,200			
Mathematical reserves	1,246	-	1,246	1,604	-	1,604
Due to shareholders operation	3,866	-	3,866			
	577,235	99,811	677,046	390,536	88,233	478,769

	As at 31 December 2022			As at 31 December 2021		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Shareholders' liabilities	SAR'000			SAR'000		
Accrued expenses and other liabilities	4,456	-	4,456	4,499	-	4,499
Zakat and income tax payable	5,533	-	5,533	6,699	-	6,699
Due to insurance operations	-	-	-	7,078	-	7,078
	9,989	-	9,989	18,276	-	18,276
Total Liquidity Gap	39,726	154,646	194,372	132,131	54,778	186,909

To manage the liquidity risk arising from above financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market except for unquoted equity instruments. These assets can be readily sold to provide additional liquidity when needed.

25 RISK MANAGEMENT (Continued)

Liquidity risk (continued)

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

- Accrued investment income classified under prepayments and other asset is expected to be realized within 2 to 11 months from statement of financial position's date.

- Cash and bank balances are available on demand.

- Reinsurers share of outstanding claims majorly pertain to fire and property, marine, general accident, engineering, and protection and savings businesses and are generally realized within 3 to 6 months based on settlement of balances with reinsurers.

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

- Reinsurers' balances payable are settled on a net basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to settle within 3 months in accordance with statutory timelines for payment. All other policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report.

The claims payable, accrued expenses and other liabilities are expected to settle within 12 months from the year end date.

Operational Risk

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

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

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

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 minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

26 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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. Underlying the definition of fair value there is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance receivables, Murabaha deposits, reinsurance share of unearned premium, deferred policy acquisition cost, reinsurance share of outstanding claims, reinsurance share of incurred but not reported claims, reinsurance share of other reserves, investments and its financial liabilities consist of reinsurance balance payables, unearned premium, unearned commission income, outstanding claims, incurred but not reported claims, other reserves, premium deficiency reserve. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

26 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Shareholders' operations	**As at 31 December 2022**			
	Level 1	**Level 2**	**Level 3**	**Total**
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	**1,923**	**1,923**
Investments at fair value through statement of income				
- Investments in discretionary portfolios	**32,107**	-	-	**32,107**
- Investments in real estate fund	**3,916**	**6,159**	-	**10,075**
- Investments in quoted equity	-	-	-	-
Investments at held to maturity				
- Sukuks	-	**30,000**	-	**30,000**
Total	**36,023**	**36,159**	**1,923**	**74,105**

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
	SAR'000			
Available for sale investments				
- Investments in unquoted equity	-	-	1,923	1,923
Investments at fair value through statement of income				
- Investments in discretionary portfolios	19,259	-	-	19,259
- Investments in real estate funds		6,264	5,237	11,501
Investments at held to maturity	-		-	
- Sukuks	-	10,000	-	10,000
Total	19,259	16,264	7,160	42,683

27 CLAIMS DEVELOPMENT TABLE

The following table reflects the net incurred claims including both the net claims notified and incurred but not reported claims for each 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 insurance 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 results 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 claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

27 CLAIMS DEVELOPMENT TABLE (continued)

Claims triangulation analysis by accident years for the last five years on gross outstanding and incurred but not reported claims basis is set out below:

2022 **Accident year**	**2018** **SAR'000**	**2019** **SAR'000**	**2020** **SAR'000**	**2021** **SAR'000**	**2022** **SAR'000**	**Total** **SAR'000**
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	212,884	212,884
One year later	-	-	-	83,803	-	83,803
Two years later	-	-	79,561	-	-	79,561
Three years later	-	294,604	-	-	-	294,604
Four years later	830,044	-	-	-	-	830,044
Current estimate of cumulative net claims	830,044	294,604	79,561	83,803	212,884	1,500,896
Cumulative payments to date	(827,040)	(293,361)	(71,290)	(74,079)	(79,247)	(1,345,017)
Gross liability recognized in the statement of financial position	3,004	1,243	8,271	9,724	133,637	155,879

2021 Accident year	2017 SAR'000	2018 SAR'000	2019 SAR'000	2020 SAR'000	2021 SAR'000	Total SAR'000
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	127,350	127,350
One year later	-	-	-	79,328	-	79,328
Two years later	-	-	298,296	-	-	298,296
Three years later	-	174,669	-	-	-	174,669
Four years later	663,735	-	-	-	-	663,735
Current estimate of cumulative net claims	663,735	174,669	298,296	79,328	127,350	1,343,378
Cumulative payments to date	(658,816)	(166,701)	(294,572)	(69,706)	(53,117)	(1,242,912)
Gross liability recognized in the statement of financial position	4,919	7,968	3,724	9,622	74,233	100,466

27 CLAIMS DEVELOPMENT TABLE (Continued)

Claims triangulation analysis by accident years for the last five years on net outstanding and incurred but not reported claims basis is set out below:

2022 **Accident year**	**2018** **SAR'000**	**2019** **SAR'000**	**2020** **SAR'000**	**2021** **SAR'000**	**2022** **SAR'000**	**Total** **SAR'000**
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	118,868	118,868
One year later	-	-	-	60,166	-	60,166
Two years later	-	-	51,408	-	-	51,408
Three years later	-	90,809	-	-	-	90,809
Four years later	372,865	-	-	-	-	372,865
Current estimate of cumulative net claims	372,865	90,809	51,408	60,166	118,868	694,116
Cumulative payments to date	(371,996)	(90,017)	(48,299)	(54,655)	(65,583)	(630,550)
Net liability recognized in the statement of financial position	869	792	3,109	5,511	53,285	63,566

2021 Accident year	2017 SAR'000	2018 SAR'000	2019 SAR'000	2020 SAR'000	2021 SAR'000	Total SAR'000
Estimate of ultimate claims cost						
At the end of accident year	-	-	-	-	79,772	79,772
One year later	-	-	-	53,234	-	53,234
Two years later	-	-	92,425	-	-	92,425
Three years later	-	136,998	-	-	-	136,998
Four years later	242,099	-	-	-	-	242,099
Current estimate of cumulative net claims	242,099	136,998	92,425	53,234	79,772	604,528
Cumulative payments to date	(238,929)	(131,077)	(89,765)	(47,838)	(41,375)	(548,984)
Net liability recognized in the statement of financial position	3,170	5,921	2,660	5,396	38,397	55,544

28 LEASES

As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using 1 year SIBOR plus Risk Adjustment rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2022. The Company's incremental borrowing rate applied is 4% (2021: 4%).

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on Statement of financial position:

Right-of use assets	**2022**	2021
No of right-of use assets leased	**4**	4
Range of remaining term	**1 to 6 Years**	1 to 9 Years
Average remaining lease term	**3**	7
No of leases with extension options	**4**	4
No of leases with options to purchase	**Nil**	Nil
No of leases with variable payments linked to an index	**Nil**	Nil
No of leases with termination options	**4**	4

Amounts recognized in the statement of Financial Position

	As at 31 December 2022	As at 31 December 2021
Right-of-use assets- Rental property	**SAR "000"**	SAR "000"
Opening balance	**3,821**	4,472
Reversal of lease assets during the year	**-**	606
Depreciation charge for the year	**(1,231)**	(1,257)
Closing Net Book Value	**2,590**	3,821

	As at 31 December 2022	As at 31 December 2021
Lease Liabilities	**SAR '000**	SAR '000
Opening balance	**3,889**	4,542
Increase in lease liabilities	**-**	346
Financing cost (non-cash)	**126**	177
Lease payments (cash outflows)	**(1,436)**	(1,176)
Closing balance	**2,579**	3,889

28 LEASES (Continued)

Maturity profile of lease liabilities:

	As at 31 December 2022		
	SAR '000		
	Lease Payments	Finance charges	Net present values
Year 1	**1,126**	**85**	**1,041**
Year 2	**420**	**58**	**362**
Year 3	**420**	**44**	**376**
Year 4	**420**	**28**	**392**
Year 5 onwards	**420**	**12**	**408**
Total undiscounted lease liabilities	**2,806**	**227**	**2,579**

Maturity profile of lease liabilities:

	As at 31 December 2021		
	SAR '000		
	Lease Payments	Finance charges	Net present values
Year 1	1,436	127	1,309
Year 2	1,126	84	1,042
Year 3	420	58	362
Year 4	420	44	376
Year 5 onwards	840	40	800
Total undiscounted lease liabilities	4,242	353	3,889

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	As at 31 December 2022	As at 31 December 2021
	SAR '000	SAR '000
Leases of low value assets	**66**	66

	As at 31 December 2022	As at 31 December 2021
	SAR '000	SAR '000
Current portion		
Lease liabilities	**1,041**	962
Non-current portion		
Lease liabilities	**1,538**	3,580

Amounts recognized in the statement of Comprehensive Income

	As at 31 December 2022	As at 31 December 2021
	SAR '000	SAR '000
Lease financial cost (included in finance cost)	**126**	127

29 SUPPLEMENTARY INFORMATION

29.1 Statement of financial position

	Note	As at 31 December 2022			As at 31 December 2021		
		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
			SAR'000			SAR'000	
ASSETS							
Cash and cash equivalents	4	75,721	27,095	102,816	133,214	115,100	248,314
Investments	5	25,863	74,105	99,968	131	42,683	42,814
Murabaha deposits		50,481	50,489	100,970	-	-	-
Premiums and reinsurance receivables, net	6	115,194	-	115,194	72,977	-	72,977
Reinsurers' share of unearned premiums	7.2	175,594	-	175,594	103,695	-	103,695
Reinsurers' share of outstanding claims	7.1	72,861	-	72,861	23,047	-	23,047
Reinsurers' share of claims incurred but not reported	7.1	19,452	-	19,452	21,875	-	21,875
Deferred policy acquisition costs		12,609	-	12,609	9,708	-	9,708
Prepayments and other assets		20,586	4,003	24,589	8,772	2,627	11,399
Due from shareholders' operations		-	3,866	3,866	7,078	-	7,078
Due from related parties	13	-	1	1	-	36	36
Statutory deposit	10	-	45,000	45,000	-	45,000	45,000
Property and equipment		1,439	-	1,439	3,153	-	3,153
Right to use assets		2,590	-	2,590	3,821	-	3,821
Intangible assets		6,185	-	6,185	5,384	-	5,384
Unit linked investments	7.4	98,273	-	98,273	85,653	-	85,653
TOTAL ASSETS		676,848	204,559	881,407	478,508	205,446	683,954
LIABILITIES							
Outstanding claims	7.2	113,374	-	113,374	54,164	-	54,164
Claims incurred but not reported	7.2	38,445	-	38,445	42,981	-	42,981
Other reserves	7.2	4,060	-	4,060	3,321	-	3,321
Premium deficiency reserves	7.3	3,305	-	3,305	5,510	-	5,510
Unearned premiums	7.1	249,719	-	249,719	157,161	-	157,161
Reinsurance balances payable		102,307	-	102,307	66,593	-	66,593
Unearned reinsurance commission		16,361	-	16,361	10,483	-	10,483
Accrued expenses and other liabilities		35,905	4,456	40,361	41,392	4,499	45,891
Lease liabilities	28	2,579	-	2,579	3,889	-	3,889
Zakat and income tax payable	15	-	5,533	5,533	-	6,699	6,699
Unit linked liabilities	7.4	98,273	-	98,273	85,653	-	85,653
Mathematical reserve	7.5	1,246		1,246	1,604		1,604
Surplus distribution payable		1,200	-	1,200	-	-	-
Retirement benefit obligation	16	6,406	-	6,406	6,018	-	6,018
Due to insurance operations		3,866	-	3,866	-	7,078	7,078
TOTAL LIABILITIES		677,046	9,989	687,035	478,769	18,276	497,045
EQUITY							
Share capital	17	-	300,000	300,000	-	300,000	300,000
Accumulated losses		-	(105,430)	(105,430)	-	(112,830)	(112,830)
Remeasurement of retirement benefit obligation	16	(198)	-	(198)	(261)	-	(261)
TOTAL SHAREHOLDERS' EQUITY		(198)	194,570	194,372	(261)	187,170	186,909
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		676,848	204,559	881,407	478,508	205,446	683,954

29 SUPPLEMENTARY INFORMATION (continued)

29.2 Statement of income

	Note	2022 Insurance operations	2022 Shareholders' operations	2022 Total	2021 Insurance operations	2021 Shareholders' operations	2021 Total
			SAR'000			SAR'000	
REVENUES							
Gross premiums written	7.1	438,585	-	438,585	305,554	-	305,554
Fee income from insurance contracts	7.1	75	-	75	44	-	44
Reinsurance premiums ceded							
- Local		(6,626)	-	(6,626)	(5,307)	-	(5,307)
- Foreign		(213,842)	-	(213,842)	(133,446)	-	(133,446)
Excess of loss expenses		(9,723)	-	(9,723)	(8,031)	-	(8,031)
Net premiums written		208,469	-	208,469	158,814	-	158,814
Changes in unearned premiums	19	(92,558)	-	(92,558)	(24,112)		(24,112)
Changes in reinsurers' share of unearned premiums	19	71,899	-	71,899	7,184	-	7,184
Net premiums earned		187,810	-	187,810	141,886	-	141,886
Reinsurance commission earned		21,299	-	21,299	20,162	-	20,162
Other underwriting income		11,161	-	11,161	7,352	-	7,352
Total Revenues		220,270	-	220,270	169,400	-	169,400
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid		(103,675)	-	(103,675)	(83,872)	-	(83,872)
Surrenders		(16,233)	-	(16,233)	(13,652)	-	(13,652)
Reinsurers' share of claims paid		20,540	-	20,540	27,903	-	27,903
Net claims paid		(99,368)	-	(99,368)	(69,621)	-	(69,621)
Changes in outstanding claims	7.2	(59,210)	-	(59,210)	7,683	-	7,683
Changes in reinsurers' share of outstanding claims	7.2	49,814	-	49,814	(13,439)	-	(13,439)
Changes in incurred but not reported claims	7.2	4,536	-	4,536	3,595	-	3,595
Changes in reinsurers' share of incurred but not reported claim	7.2	(2,423)	-	(2,423)	(1,197)	-	(1,197)
Changes in other reserves	7.2	(739)	-	(739)	(481)	-	(481)
Changes in premium deficiency reserves	7.3	2,205	-	2,205	1,227	-	1,227
Net claims incurred		(105,185)	-	(105,185)	(72,233)	-	(72,233)
Changes in unit linked reserves		(12,620)	-	(12,620)	(28,504)	-	(28,504)
Changes in mathematical reserves		358	-	358	(1,146)	-	(1,146)
Policy acquisition costs		(36,697)	-	(36,697)	(26,739)	-	(26,739)
Other underwriting expenses		(1,184)	-	(1,184)	(1,502)	-	(1,502)
Total underwriting costs and expenses		(155,328)	-	(155,328)	(130,124)	-	(130,124)
NET UNDERWRITING INCOME		64,942	-	64,942	39,276	-	39,276
OTHER OPERATING INCOME / (EXPENSES)							
General and administrative expenses	20	(62,702)	(3,998)	(66,700)	(61,398)	(4,345)	(65,743)
Provision for doubtful receivables	20	8,580	-	8,580	(5,103)	-	(5,103)
Loss on disposal of property and equipment		-	-	-	-	-	-
Unrealized gain on unit linked investments		(1,742)	-	(1,742)	15,082	-	15,082
Unrealized gain on investments	21	738	1,061	1,799	-	(14)	(14)
Realized gain on investments	21	2,187	1,851	4,038	1,576	3,739	5,315
Total operating and other (expenses) / income, net		(52,939)	(1,086)	(54,025)	(49,843)	(620)	(50,463)
Total profit/(loss) for the year before attribution and zakat		12,003	(1,086)	10,917	(10,567)	(620)	(11,187)
Surplus transferred to Shareholders' operations		(10,803)	10,803	-	10,567	(10,567)	-
Zakat for the year		-	(2,294)	(2,294)	-	(3,216)	(3,216)
Tax for the year			(23)	(23)	-	-	-
Net profit/(loss) for the year		1,200	7,400	8,600	-	(14,403)	(14,403)
Earning/(loss) per share (SAR)				0.29			(0.48)

29 SUPPLEMENTARY INFORMATION (continued)

29.3 Statement of comprehensive income

		2022			2021		
	Note	**Insurance operations**	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
			SAR'000			SAR'000	
Net profit/(loss) for the year		**1,200**	**7,400**	**8,600**	-	(14,403)	(14,403)
Other comprehensive income:							
Items that will not be reclassified to statement of income in subsequent periods:							
- Actuarial gain/(loss) on retirement benefit obligation	*16*	**63**	-	**63**	(451)	-	(451)
Total comprehensive income/(loss) for the year		**1,263**	**7,400**	**8,663**	(451)	(14,403)	(14,854)

29 SUPPLEMENTARY INFORMATION (continued)

29.4 Statement of cash flows

	Note	2022 Insurance operations	2022 Shareholders' operations	2022 Total	2021 Insurance operations	2021 Shareholders' operations	2021 Total
		SAR'000			SAR'000		
CASH FLOWS FROM OPERATING ACTIVITIES							
Net profit/(loss) for the year		1,200	7,400	8,600	-	(14,403)	(14,403)
Adjustments for non cash items:							
Depreciation of property and equipment	11, 12	2,748	-	2,748	3,847	-	3,847
Depreciation of right to use assets	28	1,231	-	1,231	1,257	-	1,257
Financing cost on lease liabilities		126	-	126	177	-	177
Provision for doubtful receivables	6	(8,580)	-	(8,580)	5,103	-	5,103
Realized gain on FVTIS	21	(150)	288	138	(904)	(1,498)	(2,402)
Unrealized (gain) / loss on FVTIS	21	(334)	(159)	(493)	-	96	96
Provision for retirement benefit obligation	17	1,578	-	1,578	1,367	-	1,367
Provision for zakat and tax	16	-	2,317	2,317	-	3,216	3,216
		(2,181)	9,846	7,665	10,847	(12,589)	(1,742)
Changes in operating assets and liabilities:							
Premiums and reinsurance receivables		(33,637)	-	(33,637)	(7,447)	-	(7,447)
Reinsurers' share of unearned premiums		(71,899)	-	(71,899)	(7,184)	-	(7,184)
Reinsurers' share of outstanding claims		(49,814)	-	(49,814)	13,439	-	13,439
Reinsurers' share of claims incurred but not reported		2,423	-	2,423	1,197	-	1,197
Deferred policy acquisition costs		(2,901)	-	(2,901)	(2,070)	-	(2,070)
Prepayments and other assets		(11,814)	(1,376)	(13,190)	9,425	(1,861)	7,564
Due from related parties		-	35	35	-	(36)	(36)
Due to insurance operations		-	(10,944)	(10,944)	-	2,041	2,041
Unit linked investments		(12,620)	-	(12,620)	(28,504)	-	(28,504)
Outstanding claims		59,210	-	59,210	(7,683)	-	(7,683)
Claims incurred but not reported		(4,536)	-	(4,536)	(3,595)	-	(3,595)
Other reserves		739	-	739	481	-	481
Premium deficiency reserves		(2,205)	-	(2,205)	(1,227)	-	(1,227)
Mathematical reserves		(358)	-	(358)	1,146	-	1,146
Unearned premiums		92,558	-	92,558	24,112	-	24,112
Reinsurance balances payable		35,714	-	35,714	(1,265)	-	(1,265)
Unearned reinsurance commission		5,878	-	5,878	(1,483)	-	(1,483)
Accrued expenses and other liabilities		(5,487)	(43)	(5,530)	(2,691)	112	(2,579)
Lease liabilities		-	-	-	346	-	346
Due to a related party		-	-	-	(66)	-	(66)
Unit linked liabilities		12,620	-	12,620	28,504	-	28,504
Due from shareholders' operations		10,944	-	10,944	(2,041)	-	(2,041)
Cash (used in) / generated from operations		22,634	(2,482)	20,152	24,241	(12,333)	11,908
Retirement benefit obligation paid	16	(1,127)	-	(1,127)	(1,401)	-	(1,401)
Zakat and income tax paid	15	-	(3,483)	(3,483)	-	(3,592)	(3,592)
Net cash generated from / (used in) operating activities		21,507	(5,965)	15,542	22,840	(15,925)	6,915
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Murabaha deposits		(50,481)	(50,489)	(100,970)	-	-	-
Purchase of investments	5.2	(103,869)	(106,430)	(210,299)	(141,000)	-	(141,000)
Proceeds from disposal of investments	5.2	97,812	94,879	192,691	142,500	2,448	144,948
Redemption / (subscription) of sukuk	5.3	(19,191)	(20,000)	(39,191)	-	5,000	5,000
Purchase of property and equipment	11	-	-	-	(135)	-	(135)
Right of use assets	28	-	-	-	(606)	-	(606)
Purchase of intangible assets	12	(1,835)	-	(1,835)	(1,112)	-	(1,112)
Proceeds from disposal of property and equipment		-	-	-	-	-	-
Net cash (used in) / generated from investing activities		(77,564)	(82,040)	(159,604)	(353)	7,448	7,095
CASH FLOWS FROM FINANCING ACTIVITIES							
Lease payments during the year		(1,436)	-	(1,436)	(1,176)	-	(1,176)
Net change in cash and cash equivalents		(57,493)	(88,005)	(145,498)	21,311	(8,477)	12,834
Cash and cash equivalents at the beginning of the year		133,214	115,100	248,314	111,903	123,577	235,480
Cash and cash equivalents at the end of the year	4	75,721	27,095	102,816	133,214	115,100	248,314

30 COMPARATIVE FIGURES

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

31 PROPOSED MERGER

The Company signed a non-binding Memorandum of Understanding (the "MOU") with Arabian Shield Cooperative Insurance Co. ("ASCIC") on 13th December 2022 (corresponding to 19 Jumada Al-Ula 1444H) to evaluate a potential merger between the two companies. As per the said agreement, both companies will conduct operational, technical, financial, legal, and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger. The two Companies have agreed that, in the event of signing the binding merger agreement, securing the regulators' and shareholders' general assembly approvals, the potential merger will be consummated on a share-for-share basis, with the surviving entity issuing new common shares to the shareholders of the merging entity, and assuming all the rights and obligations of the merging entity. The share-for-share exchange ratio between the shareholders of the both companies shall be determined after concluding (to the satisfaction of each Party) all necessary due diligence by the both companies. The Company intends to continue to conduct business as usual until completion of the proposed merger. The company has announced the appointment of Yaqeen Capital as its financial advisor in connection with the proposed merger with Arabian Shield Cooperative Co.

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on Shaban 27, 1444H corresponding to 19th March 2023G.