GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY (FORMERLY "GULF UNION COOPERATIVE INSURANCE COMPANY")
(A SAUDI JOINT STOCK COMPANY)

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

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Gulf Union Alahlia Cooperative Insurance Company (formerly "Gulf Union Cooperative Insurance Company"), a Saudi Joint Stock Company, (the "Company"), which comprise the statement of financial position as at December 31, 2021, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, 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, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at December 31, 2021, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 94.0 million, Saudi Riyals 186.8 million, Saudi Riyals 22.0 million and Saudi Riyals 18.0 million, respectively. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates. Refer to Note 3.9 to the accompanying financial statements for the accounting policy relating to insurance contract liabilities, Note 6 for the disclosure of significant accounting estimates and judgements and Notes 11 and 28.1 for the disclosures of matters related to insurance contract liabilities.	Our audit procedures included the following: • Updated our understanding and evaluated and tested key controls around the claims handling and provision setting processes; • Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also verified the outstanding claims amounts to the appropriate source documentation; • Evaluated the competence, capabilities and objectivity of the Appointed Actuary based on their professional qualifications and experience and assessed their independence; • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on a sample basis, the accuracy and completeness of underlying claims data utilised by the Appointed Actuary in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records; • Involved our internal expert to evaluate the Company's actuarial practices and related provisions established (for both significant and non-significant operating segments) and gained comfort over the actuarial report issued by the Appointed Actuary. We also performed the following procedures: (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
	(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims; (iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed; and (iv) Performed independent re-projections on IBNR, additional premium reserves, and other technical reserves, for significant operating segments, to compare them with the amounts recorded by management and sought to understand any significant differences; and • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Accounting for purchase price allocation ("PPA") consequent to the merger with Al Ahlia Cooperative Insurance Company ("Al Ahlia") During 2020, the Company signed a binding merger agreement (the "Agreement") with Al Ahlia. Under the terms of the Agreement, the Company acquired all the issued shares of Al Ahlia by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia on December 6, 2020 (the "Effective Date"). This resulted in issuance of 7,947,464 new shares of the Company to the shareholders of Al Ahlia at fair value, amounting to Saudi Riyals 168,963,085, as the purchase consideration. During 2021, the Company completed the PPA exercise with the involvement of management's expert which resulted in the recognition of finite-lived intangible assets of Saudi Riyals 36,089,000. The accounting for PPA is governed by IFRS 3, 'Business Combinations' which requires management to exercise significant judgement in determining certain estimates. The most significant judgements and estimates include: • Determination of the fair values of identifiable assets acquired and liabilities assumed; • Identification of intangible assets; and • Determination of goodwill arising on acquisition. As part of the PPA exercise, fair values were attributed to certain identified intangible assets. The fair value of these intangible assets was determined using financial models containing certain significant assumptions. The remaining unallocated purchase price was accounted for as goodwill.	Our procedures included the following: • Evaluated the competence, objectivity and capabilities of management's expert based on their professional qualifications and experience and assessed their independence; • Tested the management's expert's PPA calculation, and assessment of fair values of identifiable assets acquired, including intangible assets, and liabilities assumed; • In conjunction with our internal valuation expert, assessed the PPA calculations, including the valuation methodology and key assumptions used in the identification of intangible assets; • Tested certain key inputs used in the valuation of intangible assets by reference to the historical operating and financial performance of Al Ahlia; and • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Accounting for purchase price allocation ("PPA") consequent to the merger with Al Ahlia Cooperative Insurance Company ("Al Ahlia") (continued) We considered this as a key audit matter as the accounting for PPA is complex and the identification and valuation of intangible assets requires the use of significant judgement and estimates. Refer to Note 3.31 to the accompanying financial statements for the accounting policy relating to the business combination, Note 6 for the disclosure of significant accounting estimates and judgements and Note 4 for the disclosures of matters related to the merger with Al Ahlia.	
Impairment assessment of the carrying value of goodwill In accordance with the International Accounting Standard 36, 'Impairment of assets' ("IAS 36"), the Company is required to test the goodwill acquired in a business combination for impairment at least annually irrespective of whether or not there is any indication of impairment. During 2021, the Company completed the PPA exercise with the assistance of the management's expert which resulted in the recognition of goodwill of Saudi Riyals 67,697,750. Goodwill is monitored by management at the level of cash generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment test in respect of goodwill allocated to the combined entity as a single CGU, by determining the recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five years' approved business plan. The outcome of this exercise did not result in any impairment loss to be recognised. We considered this as a key audit matter as the assessment of the recoverable amount of goodwill under the value-in-use method is complex and requires the use of significant judgement and estimates. Refer to Notes 3.26 and 3.31 to the accompanying financial statements for the accounting policies relating to the impairment of goodwill, Note 6 for the disclosure of significant accounting estimates and judgments and Note 5 for the disclosures of matters related to goodwill's impairment assessment.	Our audit procedures included the following: • Understood and evaluated the appropriateness of management's identification of the CGUs; • Assessed the methodology used by management to determine the recoverable value of the goodwill based on the value-in-use method and compared it to the requirements of IAS 36; • Tested the arithmetical accuracy and integrity of the underlying calculations in the value-in-use model; • Tested the accuracy of the input data by reference to supporting evidence, such as approved business plan, and considered the reasonableness of approved business plan by comparison to the Company's historical results and performance against budgets; • Engaged our internal valuation expert to assess the reasonableness of the discount rate; • Performed sensitivity analyses over key assumptions used in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes; and • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Other information

The Board of Directors of the Company (the "Directors") is responsible for the other information. The other information comprises information included in the Company's 2021 annual report, but does not include the financial statements and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 Company's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those charged with governance for the financial statements

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

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

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

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

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, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

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

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

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برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥
س.ت ٢٠٥١٠٦٢٣٨٤
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
Lic No. 323/11/25/2
C.R. 2051062384

المحاسبون المتحدون للإستشارات المهنية
س.ت ٤٠٣٠٢٢٨٧٧٣
C.R. 4030228773
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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	As at December 31, 2020 (Revised)
ASSETS			
Cash and cash equivalents	8	**114,982,093**	179,508,029
Short-term deposits	13	**-**	126,570,741
Premiums and reinsurers' receivable - net	9	**161,223,340**	206,568,729
Premiums receivable - related parties - net	10, 20	**4,452,622**	8,311,277
Reinsurers' share of unearned premiums	7, 11	**44,001,521**	36,474,798
Reinsurers' share of outstanding claims	7, 11	**34,230,197**	48,489,107
Reinsurers' share of claims incurred but not reported	7, 11	**21,446,416**	20,062,991
Deferred policy acquisition costs	7, 11	**17,232,872**	29,474,599
Investments	12	**277,766,632**	257,059,214
Prepaid expenses and other assets	14	**45,713,164**	30,821,365
Long-term deposits	13	**40,032,877**	-
Property and equipment	15	**8,854,908**	10,770,393
Right-of-use assets	17	**7,584,087**	9,278,773
Intangible assets	5, 16	**43,378,547**	48,195,745
Goodwill	4,5	**67,697,750**	67,697,750
Statutory deposit	31	**34,421,196**	52,871,196
Accrued income on statutory deposit	31	**7,738,807**	7,562,956
TOTAL ASSETS		**930,757,029**	1,139,717,663
LIABILITIES			
Accounts payable		**117,346,288**	72,108,216
Accrued and other liabilities	30	**14,500,495**	27,905,430
Reinsurers' balances payable		**14,478,470**	15,379,852
Unearned premiums	7, 11	**255,996,173**	375,588,801
Unearned reinsurance commission	7, 11	**10,342,959**	8,825,885
Outstanding claims	7, 11	**93,994,985**	104,742,560
Claims incurred but not reported	7, 11	**186,847,969**	170,897,914
Additional premium reserves	7, 11	**22,019,563**	11,295,391
Other technical reserves	7, 11	**17,984,038**	11,211,593
Lease liabilities	17	**6,732,810**	7,500,772
Employee benefit obligations	22	**16,927,680**	20,659,103
Zakat and income tax	21	**20,072,948**	19,958,958
Surplus distribution payable	24	**13,748,722**	13,748,722
Accrued income payable to SAMA	31	**7,738,807**	7,562,956
TOTAL LIABILITIES		**798,731,907**	867,386,153
EQUITY			
Share capital	23	**229,474,640**	229,474,640
Share premium	4	**-**	89,488,445
Statutory reserve	18	**4,885,691**	4,885,691
Accumulated losses		**(111,242,809)**	(59,541,995)
Remeasurement reserve of employee benefit obligations	22	**(168,351)**	(2,203,061)
Fair value reserve on investments	12	**9,075,951**	10,227,790
TOTAL EQUITY		**132,025,122**	272,331,510
TOTAL LIABILITIES AND EQUITY		**930,757,029**	1,139,717,663

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

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

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2021	2020
REVENUES			
Gross premiums written	7	**572,523,050**	557,123,448
Reinsurance premiums ceded:			
- Foreign	7	**(95,031,930)**	(74,022,314)
- Local	7	**(12,326,543)**	(11,768,967)
Excess of loss premiums:			
- Foreign	7	**(20,873,767)**	(18,324,130)
- Local	7	**(1,577,658)**	(541,159)
Net premiums written		**442,713,152**	452,466,878
Changes in unearned premiums	7, 11	**119,592,628**	(10,100,450)
Changes in reinsurers' share of unearned premiums	7, 11	**7,526,723**	(7,482,291)
Net premiums earned		**569,832,503**	434,884,137
Reinsurance commissions	7, 11	**24,156,018**	24,321,796
Fee income from insurance	7	**408,443**	223,292
Total revenues		**594,396,964**	459,429,225
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7, 11	**(623,680,031)**	(400,562,089)
Reinsurers' share of gross claims paid	7, 11	**89,703,315**	60,988,058
Expenses incurred related to claims	7, 11	**(12,253,228)**	(5,894,252)
Net claims and other benefits paid		**(546,229,944)**	(345,468,283)
Changes in outstanding claims	7	**10,747,575**	7,135,094
Changes in reinsurers' share of outstanding claims	7	**(14,258,910)**	5,785,459
Changes in claims incurred but not reported	7	**(15,950,055)**	(32,845,218)
Changes in reinsurers' share of claims incurred but not reported	7	**1,383,425**	(4,754,324)
Net claims and other benefits incurred		**(564,307,909)**	(370,147,272)
Policy acquisition costs	7, 11	**(52,413,225)**	(41,894,747)
Changes in additional premium reserves	7	**(10,724,172)**	8,445,579
Changes in other technical reserves	7	**(6,772,445)**	(4,014,927)
Other underwriting expenses	7	**(7,930,297)**	(2,795,926)
Total underwriting costs and expenses, net		**(642,148,048)**	(410,407,293)
NET UNDERWRITING (LOSS) INCOME		**(47,751,084)**	49,021,932

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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2021	2020
OTHER OPERATING (EXPENSES) INCOME			
Allowance for doubtful debts	9, 10	**(2,627,528)**	(8,952,215)
General and administrative expenses	25	**(113,589,001)**	(101,653,336)
Investment and commission income	26	**17,755,241**	12,273,029
Finance costs	17, 22	**(624,886)**	(675,141)
Other income		**7,647,999**	10,621,610
Total other operating expenses, net		**(91,438,175)**	(88,386,053)
Total loss for the year before surplus attribution, zakat and income tax		**(139,189,259)**	(39,364,121)
Surplus attributed to the insurance operations		**-**	-
Total loss for the year before zakat and income tax		**(139,189,259)**	(39,364,121)
Zakat expense	21	**(2,000,000)**	(6,212,972)
Income tax expense	21	**-**	-
Total loss for the year attributable to the shareholders		**(141,189,259)**	(45,577,093)
Weighted average number of outstanding shares		**22,947,464**	15,566,121
Losses per share (expressed in Saudi Riyals per share)			
Basic losses per share	19	**(6.15)**	(2.93)
Diluted losses per share	19	**(6.15)**	(2.93)

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

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

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2021	2020
Total loss for the year attributable to the shareholders		**(141,189,259)**	(45,577,093)
Other comprehensive income:			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement gain on employee benefit obligations	22	**2,034,710**	902,399
Items that will be reclassified to the statement of income in subsequent years			
Realised gain reclassified to statement of income	12	**(140,129)**	(1,304,345)
Net change in fair value of available-for-sale investments	12	**(1,011,710)**	4,844,771
Total other comprehensive income		**882,871**	4,442,825
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(140,306,388)**	(41,134,268)

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

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

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
At January 1, 2021		**229,474,640**	**89,488,445**	**4,885,691**	**(59,541,995)**	**(2,203,061)**	**10,227,790**	**272,331,510**
Total comprehensive (loss) income for the year								
Total loss for the year attributable to the shareholders		-	-	-	**(141,189,259)**	-	-	**(141,189,259)**
Realised gain reclassified to statement of income	12	-	-	-	-	-	**(140,129)**	**(140,129)**
Re-measurement gain on employee benefit obligations	22	-	-	-	-	**2,034,710**	-	**2,034,710**
Net change in fair value of available-for-sale investments	12	-	-	-	-	-	**(1,011,710)**	**(1,011,710)**
Total comprehensive (loss) income for the year		-	-	-	**(141,189,259)**	**2,034,710**	**(1,151,839)**	**(140,306,388)**
Absorption of losses against share premium	4	-	**(89,488,445)**	-	**89,488,445**	-	-	-
At December 31, 2021		**229,474,640**	-	**4,885,691**	**(111,242,809)**	**(168,351)**	**9,075,951**	**132,025,122**

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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
At January 1, 2020		150,000,000	-	4,885,691	(13,964,902)	(3,105,460)	6,687,364	144,502,693
Total comprehensive (loss) income for the year								
Total loss for the year attributable to the shareholders		-	-	-	(45,577,093)	-	-	(45,577,093)
Realised gain reclassified to statement of income	12	-	-	-	-	-	(1,304,345)	(1,304,345)
Re-measurement gain on employee benefit obligations	22	-	-	-	-	902,399	-	902,399
Net change in fair value of available-for-sale investments	12	-	-	-	-	-	4,844,771	4,844,771
Total comprehensive (loss) income for the year		-	-	-	(45,577,093)	902,399	3,540,426	(41,134,268)
Issuance of ordinary shares as purchase consideration for a business combination	4	79,474,640	-	-	-	-	-	79,474,640
Share premium	4	-	89,488,445	-	-	-	-	89,488,445
At December 31, 2020		229,474,640	89,488,445	4,885,691	(59,541,995)	(2,203,061)	10,227,790	272,331,510

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

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

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before surplus attribution, zakat and income tax		**(139,189,259)**	(39,364,121)
Adjustments for non-cash items:			
Depreciation of property and equipment	15	**2,903,594**	1,392,991
Amortisation of intangible assets	16	**8,587,426**	1,908,012
Depreciation of right-of-use assets	17	**1,839,203**	1,116,214
Finance costs	17, 22	**624,886**	675,141
Investment and commission income	26	**(17,615,112)**	(11,061,522)
Allowance for doubtful debts	9, 10	**2,627,528**	8,952,215
Provision for employee benefit obligations	22	**2,882,796**	2,012,810
(Gain) loss on termination of lease liability	17	**(112,288)**	772
Realised gain on disposal of available-for-sale investments	12	**(140,129)**	(1,211,507)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**42,717,861**	12,741,313
Premium receivables - related parties		**3,858,655**	1,506,068
Reinsurers' share of unearned premiums	11	**(7,526,723)**	7,482,291
Reinsurers' share of outstanding claims		**14,258,910**	(5,785,459)
Reinsurers' share of claims incurred but not reported		**(1,383,425)**	4,754,324
Deferred policy acquisition costs		**12,241,727**	(2,388,883)
Prepaid expenses and other assets		**(13,662,034)**	4,507,416
Accounts payable		**45,238,072**	6,341,847
Accrued and other liabilities		**(13,404,935)**	(5,347,065)
Reinsurers' balances payable		**(901,382)**	7,521,114
Unearned premiums	11	**(119,592,628)**	10,100,450
Unearned reinsurance commission		**1,517,074**	(1,938,258)
Outstanding claims		**(10,747,575)**	(7,135,094)
Claims incurred but not reported		**15,950,055**	32,845,218
Additional premium reserves		**10,724,172**	(8,445,579)
Other technical reserves		**6,772,445**	4,014,927
Employee benefit obligations paid	22	**(4,928,836)**	(3,053,109)
Zakat and income tax paid	21	**(1,886,010)**	(4,645,002)
Net cash (used in) / generated from operating activities		**(158,345,932)**	17,497,524

(continued)

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in short-term deposits		**-**	(217,489,709)
Liquidation of short-term deposits		**126,570,741**	225,309,094
Placement in long-term deposit		**(40,032,877)**	-
Liquidation of long-term deposits		**-**	20,159,854
Cash and cash equivalents acquired through business combination	4	**-**	147,359,189
Purchases of available-for-sale investments	12	**(29,288,091)**	(90,728,131)
Purchases of held-to-maturity investments	12	**(9,931,031)**	(5,000,000)
Proceeds from disposals of available-for-sale investments	12	**10,000,000**	12,638,483
Proceeds from redemptions of held-to-maturity investments	12	**7,499,994**	11,291,665
Investment and commission income received		**16,385,347**	6,426,825
Payments for purchases of property and equipment	15	**(988,109)**	(2,276,995)
Additions to intangible assets	16	**(3,770,228)**	(3,870,327)
Liquidation (addition) to statutory deposit	31	**18,450,000**	(6,371,196)
Net cash generated from investing activities		**94,895,746**	97,448,752
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	17	**(1,023,355)**	(2,244,614)
Finance cost paid		**(52,395)**	(56,386)
Net cash used in financing activities		**(1,075,750)**	(2,301,000)
Net change in cash and cash equivalents		**(64,525,936)**	112,645,276
Cash and cash equivalents at the beginning of the year		**179,508,029**	66,862,753
Cash and cash equivalents at end of the year	8	**114,982,093**	179,508,029
<u>Supplemental non-cash information:</u>			
Net change in fair value reserve for available-for-sale investments	12	**(1,151,839)**	3,540,426
Re-measurement gain on employee benefit obligations	22	**(2,034,710)**	(902,399)
Business combination (Note 4)			
Right-of-use assets and lease liabilities (Note 17)			

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

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

1. General information - legal status and principal activities

Gulf Union Alahlia Cooperative Insurance Company formerly known as Gulf Union Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company, registered on 13 Sha’aban 1428H (corresponding to August 26, 2007) under Commercial Registration (“CR”) number 2050056228. The Company’s principal place of business is in Dammam, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, motor, marine, fire and engineering insurance.

On 2 Jumada II 1424H, (corresponding to July 31, 2003), the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 29 Shaban 1428 H, (corresponding to September 11, 2007), the Saudi Central Bank, formerly known as (Saudi Arabian Monetary Authority) (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On 27 Jumada II 1435H, (corresponding to April 27, 2014), the Company received SAMA’s approval of its request to change its license of transacting insurance and reinsurance business to insurance business.

During 2020, the Company signed a binding merger agreement (the “Agreement”) with Al Ahlia Cooperative Insurance Company (“Al Ahlia”). The merger was made effective on December 6, 2020 upon receipt of all required regulatory and shareholders’ approvals. See Note 4.

The Company operates through six main branches and various point-of-sale stores located in the Kingdom of Saudi Arabia. Following are the CR numbers of the six branches:

Branch type	Location	CR number
Regional branch	Dammam	2050118944
Regional branch	Riyadh	1010247518
Regional branch	Jeddah	4030177933
Regional branch	Riyadh	1010238441
Regional branch	Al Khobar	2051048012
Regional branch	Jeddah	4030224075

As at March 31, 2021, the Company had accumulated losses of Saudi Riyals 117.3 million which exceeded one half of its share capital. During the year ended December 31, 2021, in order to reduce the accumulated losses to less than one half of the share capital, the shareholders of the Company, in their meeting held on June 29, 2021, resolved to absorb the accumulated losses amounting to Saudi Riyals 89.5 million against the share premium.

The total loss attributable to the shareholders of Saudi Riyals 141.2 million and net operating cash outflows of Saudi Riyals 158.3 million for year ended December 31, 2021 are mainly attributable to the medical segment (Note 7). Management has formulated and implemented measures, as approved by the Company’s Board of Directors, which include better pricing strategies for both corporate and small and medium enterprises medical policies, diversification of insurance portfolio and improvement in claims management processes, among others. Management expects that this will reflect positively in the operational results and cash flows for the year 2022.

The Company has not met the solvency margin requirements as required by the Implementing Regulations of the Cooperative Insurance Companies Control Law (the “Regulations”) since March 31, 2021 which has further deteriorated as of December 31, 2021.

1. General information - legal status and principal activities (continued)

The Company received a letter from SAMA dated June 25, 2021 stating the Company's deteriorating solvency margin and requiring the Company to submit its rectification measures according to Article 68 of the Regulations. In response to SAMA's letter, the Company submitted its planned rectification measures and mentioned that the solvency margin was expected to be in line with the Regulations by the fourth quarter of 2021. The planned rectification measures proposed by the Company also include, amongst other things, the optimization of asset admissibility profile, improvement of premium payment warranty schemes, improvement in underwriting policies and processes, expansion of digital sales platforms, reduction in general and administrative expenses due to the synergies from the merger and improvement in claims management processes.

On September 13, 2021, SAMA issued another letter to the Company to comply with the solvency margin requirement within the stipulated time period as specified in Article 68 of the Regulations and intimated that failure to do so will result in regulatory action in line with clause 2(d) of Article 68 of the Regulations. In response to such letter, the Company has stated that in addition to its planned rectification measures, it has prepared a business plan that reflects the planned rectification measures and includes a proposed increase in the share capital of the Company by way of a rights issue amounting to Saudi Riyals 229.5 million. The Board of Directors, in its meeting held on October 19, 2021, resolved to recommend rights issue to its shareholders to increase the share capital of Company. On December 2, 2021, the Company received SAMA's approval to increase the Company's share capital from Saudi Riyals 229.5 million to Saudi Riyals 459.0 million by offering rights issue. On March 8, 2022, subsequent to the reporting date, the Company has obtained an approval for the rights issue from the Capital Market Authority ("CMA"). Such rights issue is subject to the approval of the shareholders of the Company as of the date of approval of these financial statements and is expected to be achieved during the second quarter of 2022.

Based on the above, the accompanying financial statements of the Company have been prepared under the going concern basis.

On December 19, 2021, the Board of Directors of the Company resolved to start initial discussions with Al Sagr Cooperative Insurance Company to explore the possibility of merging the two companies. In the event that an initial agreement is reached on the merger, a non-binding memorandum of understanding will be signed with Al Sagr Cooperative Insurance Company to assess the feasibility of the merger of the two companies.

Shareholding percentage

The shareholding percentage of the Company at December 31, 2021 and December 31, 2020 was as follows:

	December 31, 2021	December 31, 2020
Shareholding percentage subject to zakat	**95%**	95%
Shareholding percentage subject to income tax	**5%**	5%
	100%	100%

2. Basis of preparation

(a) Statement of compliance

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

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly. 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 of the Company.

In accordance with the requirements of the Regulations issued by SAMA and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders’ operations in full.

The statements of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders’ operations which are presented in Note 29 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders’ operations. Accordingly, the statements of financial position, statements of income, 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’s financial statements in compliance with IFRS that are endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealised gains or losses, 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.

(b) Basis of measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except as described in Note 3.

(c) Basis of presentation

The Company’s statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short-term deposits, premiums and reinsurers’ receivable - net, premiums receivable - related parties - net, prepaid expenses and other assets, accrued income on statutory deposit, accounts payable, accrued and other liabilities, reinsurers' balances payable, zakat and income tax, surplus distribution payable, accrued income payable to SAMA, reinsurers’ share of outstanding claims, outstanding claims, claims incurred but not reported, additional premium reserves, other technical reserves and reinsurers’ share of claims incurred but not reported. The following balances would generally be classified as non-current: long-term deposits, investments, property and equipment, right-of-use assets, goodwill, intangible assets, statutory deposit, and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include reinsurers’ share of unearned premiums, deferred policy acquisition costs, unearned premiums, unearned reinsurance commission and lease liabilities.

2. Basis of preparation (continued)

(d) Functional and presentation currency

These financial statements are expressed in Saudi Arabian Riyals ("Saudi Riyals"), which is the functional and presentation currency of the Company.

(e) Seasonality of operations

There are no seasonal changes that may affect insurance operations of the Company.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented, unless otherwise stated.

3.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for the reporting period commenced on January 1, 2021:

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform - Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The Company did not identify a material impact as a result of this amendment

Amendment to IFRS 16, 'Leases' - COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company did not identify a material impact as a result of this amendment

Amendments to IFRS 3, Business combinations - Definition of a business

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets

The adoption of above amendments did not have any material impact on the accompanying financial statements.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact. Following is the brief on the new IFRS, interpretations and amendments to existing IFRS, effective for annual periods beginning on or after January 1, 2021:

- **IFRS 17 - Insurance Contracts ("IFRS 17")**

Overview

This standard has been published in May 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 - Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

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

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

Measurement

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

The General Measurement Model ("GMM")

GMM is based on the following "building blocks":

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

b) the Contractual Service Margin ("CSM"). The CSM represents the unearned profit for a group of insurance contracts and will be recognised 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.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17 - Insurance Contracts** (continued)

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.

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach ("VFA")

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, in addition to the adjustment under GMM, CSM is also adjusted for:

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

Premium Allocation Approach ("PAA")

PAA, a simplified approach, is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially difference from the GMM for a group of contracts or of 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 GMM remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

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

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17 - Insurance Contracts** (continued)

Applicable for the period beginning on or after January 1, 2023, and will supersede IFRS 4 'Insurance Contracts'. Earlier adoption is permitted if IFRS 9 has also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect the statements of financial position, income and comprehensive income. The Company has decided not to early adopt this new standard.

Transition

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

Presentation and Disclosures

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

Impact

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken a gap analysis and the key gaps, and their impact are as follows:

Impact area	**Summary of impact**
Financial impact	Most of the Company's insurance and reinsurance contracts are with terms of one year or less. Accordingly, no material financial impact is expected
Data impact	No material impact is expected on data requirements in order to effectively adopt IFRS 17
IT systems impact	The following IT systems are expected to be materially impacted from the adoption of IFRS 17: a) actuarial systems; and b) reinsurance operational systems
Impact on reinsurance arrangements	Most of the Company's reinsurance arrangements are with terms of one year or less. Accordingly, no material impact on reinsurance arrangements is expected
Impact on policies and control frameworks	Changes to policy and control frameworks might be needed to address the following IFRS 17 requirements: a) appropriate level of aggregation of insurance contracts; b) identification of onerous contracts; c) application of PAA for short-term contracts; d) determination of discount rate; e) risk adjustment computation; f) subsequent measurement of insurance contracts; and applicable financial reporting
Process impact	Material impact to existing processes identified in relation to the gaps identified above. No other material impact identified.
Other areas impacted	No material impact identified in other areas

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9 - Financial Instruments ("IFRS 9")**

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

a) Classification and measurement:

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

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

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

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

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

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

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

a) *Impairment:*

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

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9 - Financial Instruments** (continued)

b) *Hedge accounting:*

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

Effective date

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 - Insurance Contracts: Applying IFRS 9 with IFRS 4 - Insurance Contracts ("IFRS 4"), published on September 12, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 - Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of:

   a. the effective date of a new insurance contract standard; or

   b. annual reporting periods beginning on or after January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

The Company had performed a detailed assessment of:

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

ii) the total carrying amount of the Company's liabilities connected with insurance were compared to the carrying amount of all its liabilities as of April 1, 2016. Based on these assessments, the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Based on these assessments, the Company determined that it is eligible for the temporary exemption Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 9 - Financial Instruments (continued)

Impact assessment

As at December 31, 2021, the Company has total financial assets amounting Saudi Riyals 756.7 million (2020: Saudi Riyals 971.4 million) including insurance related assets amounting to Saudi Riyals 273.7 million,(2020: Saudi Riyals 334.1 million) respectively. Currently, financial assets held at amortised cost consist of cash and cash equivalents, deposits, premium and reinsurer's receivable - net, premiums receivable - related parties - net, reinsurers' share of outstanding claims, investments held-to-maturity and certain other assets amounting to Saudi Riyals 483 million (2020: Saudi Riyals 637.3 million).

Other financial assets consist of available-for-sale investments amounting to Saudi Riyals 242.3 million (2020: Saudi Riyals 224 million) with net decrease in fair value during the year of Saudi Riyals 1.1 million (2020: net increase of Saudi Riyals 3.5 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

Management expects that investments in funds classified under available-for-sale investments will be at FVTPL under IFRS 9.

Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in Note 28.4. The Company's financial assets have low credit risk as at December 31, 2021 and 2020 . The above is based on a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the impairment requirements of IFRS 9 are not expected to be significant. At present, it is not possible to provide a reasonable estimate of the effects of application of IFRS 9 as the Company is yet to perform a detailed review.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

3 Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16** (continued)

Effective date:

Annual periods beginning on or after January 1, 2022.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Effective date:

Deferred until accounting periods starting not earlier than January 1, 2024.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Effective date:

Annual periods beginning on or after January 1, 2023.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Effective date:

Annual periods beginning on or after January 1, 2023.

Impact assessment

The management is in the process of assessing the impact of the amendment on its financial statements.

3.3 Insurance Contracts

Insurance contracts are contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits that would be paid if the insured event arose, with benefits payable if the insured event did not occur.

3.4 Revenue recognition

3.4.1 Recognition of premium and reinsurance commissions

Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

- Premium written in last three months of the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

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

3.4.2 Commission, dividend income and other income

Commission income on short-term deposits and long-term deposits is recognised on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognised when the right to receive a dividend is established and is included under realised gain on available-for-sale investments in the statement of income. Income from Umrah product medical, general and accident insurance fund, is recognised as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

3 Summary of significant accounting policies (continued)

3.5 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as at the reporting 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 reporting date. The ultimate liability maybe in excess of or less than the amount provided.

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 reporting date.

3.6 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 liable third party.

3.7 Reinsurance

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its products. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts.

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.

3 Summary of significant accounting policies (continued)

3.7 Reinsurance (continued)

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

3.8 Liability adequacy test

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

3.9 Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, claims incurred but not reported ("IBNR") provision, the provision for unearned premium and additional premium reserve (including premium deficiency reserves) and other technical reserves. The outstanding claims provision and IBNR provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency. Other technical reserve comprise of unallocated loss adjustment expense reserve and proportional and non-proportional reinsurance accrual reserve. Unallocated loss adjustment expense reserve is determined at the end of each reporting period and represents the estimated cost of claims processing that the Company would incur at the time of claims payout. Reinsurance accrual reserve (proportional and non-proportional) are reserves measured as the amount of reinsurance premiums, reinsurance commissions or any loss participations that have not been fully accrued.

3 Summary of significant accounting policies (continued)

3.10 Deferred policy acquisition costs

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

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

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

3.10 Premiums and reinsurers' receivable (including premium receivables from related parties)

Premiums and reinsurers' receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less an allowance for any uncollectible amounts. The carrying value of premiums and reinsurers' receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. Premiums and reinsurers' receivable are derecognised when the de-recognition criteria for financial assets have been met.

3.11 Investments

3.11.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as available-for-sale investments. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

3.11.2 Available-for-sale investments

Available-for-sale investments are those investments that are neither held-to-maturity nor held for trading. Investments which are classified as "available for sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealised gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

3 Summary of significant accounting policies (continued)

3.11 Investments (continued)

3.11.3 Held-to-maturity investments

Investments, which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

3.11.4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those investments that are bought with the intention of resale in the short term and are classified as trading investments. Such investments are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

3.12 Recognition, measurement and de-recognition

Purchase and sale of available-for-sale investments is recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

3.13 Recognition, measurement and de-recognition

Financial assets at fair value through profit or loss are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income.

Loans and receivables and held-to-maturity investments are carried at amortised costs less provision for impairment in value.

Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets are derecognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statements of income as 'gains and losses from available-for-sale investments'. Commission and investment income on available-for-sale investments calculated using the effective interest rate method is recognised in the statement of income.

3 Summary of significant accounting policies (continued)

3.14 Offsetting

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

3.15 Trade date accounting

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

3.16 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Dividends on available-for-sale investments are recognised in the statement of income, when the Company's right to receive payments is established.

3.17 Impairment of financial assets

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

Evidence of impairment may include:

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

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

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

3. Summary of significant accounting policies (continued)

3.17 Impairment of financial assets (continued)

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 amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of 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 recognised in the statement of income, the impairment loss is reversed through the statement of 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 determination of what is significant or prolonged requires judgment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income under “Realised gain (loss) on available-for-sale investments”.

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

3.18 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective commission rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statements of income.

3. Summary of significant accounting policies (continued)

3.19 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in the statement of income.

3.20 Dividend distribution

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

3.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

3.22 Foreign currencies

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

3 Summary of significant accounting policies (continued)

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

For any inter-segment transactions, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' operations is a non-operating segment, where, income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis

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

3.24 Short-term and long-term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

3.25 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

The 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 the statement of income.

3. Summary of significant accounting policies (continued)

3.26 Intangible assets and Goodwill

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Intangible assets with an infinite useful life are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill arising on acquisition of a business is presented as a separate financial statement line item on the statement of financial position.

Goodwill arising on acquisition of a business is carried at cost as at the acquisition date. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the merger date, allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata based on the carrying amount of each asset in the CGU.

Any impairment loss is recognised immediately in the statement of income. Impairment of goodwill is not subsequently reversed.

Intangible assets acquired separately are initially recognised and measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, where applicable.

3.27 Leases

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

3. Summary of significant accounting policies (continued)

3.27 Leases (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

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

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

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

Right-of-use assets (RoU)

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related RoU asset, unless those costs are incurred to produce inventories.

3. Summary of significant accounting policies (continued)

3.27 Leases (continued)

Right-of-use assets (RoU) (continued)

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

The RoU assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

3.28 Provisions and other liabilities

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

3.29 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

3 Summary of significant accounting policies (continued)

3.30 Zakat and income tax

The Company is subject to zakat and income tax 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 adjusted net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

a) Zakat

The Company is subject to zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

b) Income tax

The income tax expense or credit for the period is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, and is charged to the statement of income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

c) Deferred tax

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and for the carry forward losses in the financial statements, if any. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit

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

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

3 Summary of significant accounting policies (continued)

3.31 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of an entity comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the entity acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration, if any, is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value as of the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in general and administrative expenses in the statement of comprehensive income.

3 Summary of significant accounting policies (continued)

3.31 Business combination (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities incurred and / or assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4. Business combination

On 12 Shawwal 1441H (corresponding to June 4, 2020), the Company signed a binding merger agreement (the "Agreement") with Al Ahlia Cooperative Insurance Company ("Al Ahlia"), operating as a Saudi joint stock company (licensed to transact cooperative insurance business across the Kingdom of Saudi Arabia). On 20 Dhul Hijja 1441H (August 10, 2020), the Company received SAMA's approval for the merger with Al Ahlia. On 22 Muharram 1442H (September 10, 2020), the Company obtained the approval from the CMA. Further, the Company's and Al Ahlia's shareholders approved the merger on 18 Safar 1442H (October 5, 2020) and 16 Rabi' I 1442H (November 2, 2020), respectively. As per the Agreement, the effective date of the merger was 21 Rabi' I 1442H (December 6, 2020) (the "Effective Date"). As at the Effective Date, the Company acquired all the issued shares of Al Ahlia by virtue of a share exchange offer by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia. This resulted in issuance of 7,947,464 new ordinary shares with a par value of Saudi Riyals 10 per share. The Company issued new shares by increasing its share capital from Saudi Riyals 150,000,000 to Saudi Riyals 229,474,640.

The Company has accounted for the merger using the acquisition method under IFRS 3- Business Combination ("IFRS 3") with the Company being the acquirer and Al Ahlia being the acquiree, based on the provisional fair values of the acquired net assets as at the Effective Date. The adjustments to the provisional values were finalized within twelve months from the Effective Date as permitted by IFRS 3. Subsequent to the Effective Date, Al Ahlia has been delisted from Tadawul, Saudi Stock Exchange and other legal formalities, including cancellation of the Al Ahlia's CR.

These financial statements include the results of Al Ahlia from the Effective Date. If the acquisition had occurred on January 1, 2020, the gross written premium of the Company would have increased by Saudi Riyals 181 million and the loss for the year attributable to the shareholders would have increased by Saudi Riyals 10.1 million for the year ended December 31, 2020. The merger related costs amounted to Saudi Riyals 3.2 million and were recognised as an expense in the statement of income and included in general and administrative expenses for the year ended December 31, 2020.

Purchase consideration

The Company acquired all the issued shares of Al Ahlia by issuing one share in the Company for every 1.54766350624551 shares in Al Ahlia on the Effective Date. This resulted in issuance of 7,947,464 new shares of the Company to the shareholders of Al Ahlia at fair value (Saudi Riyal 21.26 per share), amounting to Saudi Riyals 168,963,085, as the purchase consideration.

4. Business combination (continued)

Share capital and share premium

The issuance of new shares, as mentioned in the preceding paragraph, resulted in an increase in the share capital of the Company by Saudi Riyals 79,474,640 (7,947,464 shares at par value of Saudi Riyals 10 per share) and recognition of share premium of Saudi Riyals 89,488,445, as at the Effective Date.

The Company has allocated and completed the purchase price allocation ("PPA") of the identified assets acquired and the liabilities and contingent liabilities assumed. The fair values of net assets acquired as at the Effective Date are as follows:

	Carrying values on acquisition December 5, 2020	Adjustments from purchase price allocation	Fair values on December 5, 2020
ASSETS			
Cash and cash equivalents	147,359,189	-	147,359,189
Short-term deposits	40,368,219	-	40,368,219
Premiums and reinsurers' receivable - net	45,906,604	-	45,906,604
Reinsurers' share of unearned premiums	4,338,001	-	4,338,001
Reinsurers' share of outstanding claims	15,980,527	-	15,980,527
Reinsurers' share of claims incurred but not reported	1,528,473	-	1,528,473
Deferred policy acquisition costs	7,540,381	-	7,540,381
Investments	14,413,873	-	14,413,873
Due from related parties	2,394,461	-	2,394,461
Prepaid expenses and other assets	13,369,069	-	13,369,069
Property and equipment	3,673,191	-	3,673,191
Right-of-use assets	2,791,322	-	2,791,322
Intangible assets - (Note 16)	7,052,576	36,089,000	43,141,576
Statutory deposit	24,000,000	-	24,000,000
Accrued income on statutory deposit	3,515,288	-	3,515,288
TOTAL ASSETS	334,231,174	36,089,000	370,320,174
LIABILITIES			
Accounts payable	18,701,160	-	18,701,160
Accrued and other liabilities	14,851,401	-	14,851,401
Reinsurers' balances payable	3,919,445	-	3,919,445
Unearned premiums	107,975,551	-	107,975,551
Unearned reinsurance commission	1,083,764	-	1,083,764
Outstanding claims	36,792,956	-	36,792,956
Claims incurred but not reported	40,751,611	-	40,751,611
Additional premium reserves	14,247,658	-	14,247,658
Other technical reserves	2,216,738	-	2,216,738
Lease liabilities	1,321,462	-	1,321,462
Employee benefit obligations	6,585,890	-	6,585,890
Zakat	15,621,219	-	15,621,219
Surplus distribution payable	1,470,696	-	1,470,696
Accrued commission income payable to SAMA	3,515,288	-	3,515,288
TOTAL LIABILITIES	269,054,839	-	269,054,839
Net identifiable assets	65,176,335	36,089,000	101,265,335

4. Business combination (continued)

The Company has not revised the comparative information in the statements of income, comprehensive income, cash flows and changes in equity for the year ended December 31, 2020, as the impact of the completion of purchase price allocation exercise on the comparative statements was not material.

Purchase consideration	168,963,085
Less: net identifiable assets acquired	(101,265,335)
Goodwill	**67,697,750**

The Company has completed the PPA during 2021 and has identified the following intangible assets.

Intangible assets acquired (Note 16)

Motor pricing model	23,428,000
Customer relationships	12,661,000
	36,089,000

Valuation approach and methodologies - *Intangible assets acquired*

Motor pricing model

As a result of the merger, the Company has acquired a motor pricing model which is identified as an intangible asset. The model has embedded risk parameters that provide meaningful insights for the underwriting practices. Management has used the "Comparative Income Differential Method" for valuing the motor pricing model with an estimated useful life of 7 years. The key assumption used in the model is the expected improvement in the loss ratio of 5%. If the expected improvement in the loss ratio is increased or decreased by 1%, the total value of the motor pricing model increases or decreases by Saudi Riyals 6.6 million.

Customer relationships

IAS 38 - Intangible assets' specifies that if an entity can evidence that it can control economic benefits from non-contractual relationships, those customer relationships are identified as separable and can be recognized as an intangible asset. Management has used the "Multi-Period Excess Earning Method" for the valuation of non-contractual customer relationships and has considered a useful life of 7 years. Management believes that the customer portfolio acquired from Al Ahlia will provide economic benefit to the Company and will contribute in the overall business growth. The key assumption used by the management is the average expected loss ratio of 73%. An increase or decrease in the average expected loss ratio of 2% results in change in the valuation of customer relationships by Saudi Riyals 6.0 million.

5. Goodwill

The goodwill arising from the merger is attributable to the expected synergies from combining the operations of the Company and Al Ahlia and cannot be assigned to any other determinable and separate provisional intangible asset. Goodwill is allocated to the Company as a single cash generating unit ("CGU"), being the combined operations of the Company and Al Ahlia. Management's judgment to allocate goodwill to the Company considered the broader reason for which acquisition was made, i.e. synergies from combining the operations. The Company tests the goodwill for impairment on an annual basis. For the impairment testing, management determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years' approved business plan, and use of an appropriate discount rate applicable to the circumstances of the Company. Cash flows beyond the five-years period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. The calculation of value in use is most sensitive to the assumptions of gross premiums written growth, average claims ratio, discount rate and terminal growth rate. Key assumptions underlying the projections are:

Key assumptions	%
Gross premiums written growth	5.19
Average claims ratio	85.0
Discount rate	10.5
Terminal growth rate	2.0

Sensitivity to the changes in assumptions

The estimated recoverable amount of the CGU exceeded its carrying value by approximately Saudi Riyals 35.7 million. Management has identified that a reasonably possible change in the below given key assumptions could cause the carrying amount to exceed the recoverable amount.

Gross premiums written growth

The gross premiums written growth in the forecast period has been estimated to be a compound annual growth rate of 5.19%. If all other assumptions kept the same, a reduction of this growth rate from 5.19% to 2.94% would give a value in use equal to the current carrying amount.

Average claims ratio

The average claims ratio in the forecast period has been estimated to be 85.0%. If all other assumptions kept the same, an increase of this ratio from 85.0% to 86.5% would give a value in use equal to the current carrying amount.

Discount rate

The discount rate used to calculate the present value of future cashflows in the forecast period has been estimated to be 10.5%. If all other assumptions kept the same, an increase of this ratio from 10.5% to approximately 11.2% would give a value in use equal to the current carrying amount.

Terminal Growth rate

The terminal gross premiums written growth in the forecast period has been estimated to be 2.0%. If all other assumptions kept the same, a decrease of this ratio from 2.0% to 1.1% would give a value in use equal to the current carrying amount.

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

6. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

i) Financial assets - investments and loans and receivables

For held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include factors such as significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization etc. For available-for-sale investments, the Company has performed an assessment to determine whether there is a significant decline in the fair value of available-for-sale investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments. Based on these assessments, the Company believes that the Covid-19 pandemic has had no material effect on the Company's reported results for the year ended December 31, 2021. The Company continues to monitor the situation closely.

ii) Liability arising from claims made under insurance contracts

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Refer to Note 28.1 for a sensitivity analysis in relation to significant assumptions.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis. The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

iii) Impairment of premiums and reinsurers' receivable

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

6. Significant accounting judgments, estimates and assumptions (continued)

iv) Fair value of financial instruments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

v) Right-of-use assets and lease liabilities

Extension and termination options are included in leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

vi) Impairment testing of goodwill

The Company's management tests, on an annual basis, whether goodwill arising on merger has suffered any impairment. This requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The key assumptions used in determining the recoverable amounts are set out in Note 5.

vii) Impact of Covid-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the year ended December 31, 2021 including the significant accounting judgements and estimates.

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

6. Significant accounting judgments, estimates and assumptions (continued)

viii) Intangible assets identified in business combination

The management has exercised considerable judgment in the identification and valuation of intangible assets as part of the PPA exercise carried in relation to the business combination disclosed in Note 4. As a result, the valuation of those intangible assets involves the use of management estimates, which are necessarily based on certain key assumptions. The key assumptions used in determining the carrying value of those intangible assets are set out in Note 4.

7. Segmental information

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

Segment results for property, marine, engineering, and general accident have been aggregated as property and casualty and all other lines have been aggregated as protection and savings line of business respectively. There was no change in the basis of segmentation during the year ended December 31, 2021.

Segment results do not include general and administration expenses, (allowance) reversal of allowance for doubtful debts, investment, and commission income, realised gain (loss) on investments, finance costs and other income.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums and reinsurers' receivable - net, premiums receivable - related parties - net, investments, due from a related party - net, prepaid expenses and other assets, long-term deposits, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, lease liabilities, employee benefit obligations, zakat and income tax, surplus distribution payable and accrued commission income payable to SAMA. Accordingly, they are included in unallocated liabilities.

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

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Medical;
- Motor;
- Property and casualty; and
- Protections and savings.

7. Segmental information (continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2021 and December 31, 2020, its total revenues, expenses, and net (loss) income for the years then ended, are as follows:

	Insurance operations						
December 31, 2021	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Assets							
Reinsurers' share of unearned premiums	-	26,910,825	17,090,696	-	44,001,521	-	44,001,521
Reinsurers' share of outstanding claims	175,989	12,977,197	21,077,011	-	34,230,197	-	34,230,197
Reinsurers' share of claims incurred but not reported	7,679,230	5,852,711	7,914,475	-	21,446,416	-	21,446,416
Deferred policy acquisition costs	6,847,593	6,478,136	3,907,143	-	17,232,872	-	17,232,872
Segment assets	14,702,812	52,218,869	49,989,325	-	116,911,006	-	116,911,006
Unallocated assets					447,939,427	365,906,596	813,846,023
Total assets					564,850,433	365,906,596	930,757,029
Total liabilities							
Unearned premiums	112,185,331	108,065,758	35,745,084	-	255,996,173	-	255,996,173
Unearned reinsurance commission	-	5,255,283	5,087,676	-	10,342,959	-	10,342,959
Outstanding claims	21,366,735	26,238,457	46,389,793	-	93,994,985	-	93,994,985
Claims incurred but not reported	126,019,918	41,810,839	19,017,212	-	186,847,969	-	186,847,969
Additional premium reserves	7,338,707	14,114,751	566,105	-	22,019,563	-	22,019,563
Other technical reserves	10,718,891	4,803,164	2,461,983	-	17,984,038	-	17,984,038
Segment liabilities	277,629,582	200,288,252	109,267,853	-	587,185,687	-	587,185,687
Unallocated liabilities and equity					185,490,046	158,081,296	343,571,342
Total liabilities and equity					772,675,733	158,081,296	930,757,029

7. Segmental information (continued)

	Insurance operations						
December 31, 2020 (Revised)	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Assets							
Reinsurers' share of unearned premiums	-	16,855,455	19,619,343	-	36,474,798	-	36,474,798
Reinsurers' share of outstanding claims	557,911	14,849,485	33,081,711	-	48,489,107	-	48,489,107
Reinsurers' share of claims incurred but not reported	6,500,809	5,034,535	8,527,647	-	20,062,991	-	20,062,991
Deferred policy acquisition costs	17,797,650	7,239,163	4,437,786	-	29,474,599	-	29,474,599
Segment assets	24,856,370	43,978,638	65,666,487	-	134,501,495	-	134,501,495
Unallocated assets					541,950,312	463,265,856	1,005,216,168
Total assets					676,451,807	463,265,856	1,139,717,663
Total liabilities							
Unearned premiums	225,562,240	107,129,290	42,897,271	-	375,588,801	-	375,588,801
Unearned reinsurance commission	-	3,082,613	5,743,272	-	8,825,885	-	8,825,885
Outstanding claims	14,488,827	33,803,393	56,450,340	-	104,742,560	-	104,742,560
Claims incurred but not reported	115,591,905	39,869,734	15,436,275	-	170,897,914	-	170,897,914
Additional premium reserves	796,813	10,498,578	-	-	11,295,391	-	11,295,391
Other technical reserves	6,761,159	3,140,591	1,309,843	-	11,211,593	-	11,211,593
Segment liabilities	363,200,944	197,524,199	121,837,001	-	682,562,144	-	682,562,144
Unallocated liabilities and equity					160,193,697	296,961,822	457,155,519
Total liabilities and equity					842,755,841	296,961,822	1,139,717,663

7. Segmental information (continued)

	Insurance operations						
For the year ended December 31, 2021	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
REVENUES							
Gross premiums written	260,260,476	229,689,914	82,572,660	-	572,523,050	-	572,523,050
Reinsurance premiums ceded:							
- Foreign	-	(50,589,674)	(44,442,256)	-	(95,031,930)	-	(95,031,930)
- Local	-	(6,221,986)	(6,104,557)	-	(12,326,543)	-	(12,326,543)
Excess of loss expenses:							
- Foreign	(14,018,806)	(4,557,867)	(2,297,094)	-	(20,873,767)	-	(20,873,767)
- Local	(1,050,000)	(251,653)	(276,005)	-	(1,577,658)	-	(1,577,658)
Net premiums written	245,191,670	168,068,734	29,452,748	-	442,713,152	-	442,713,152
Changes in unearned premiums	113,376,906	(936,467)	7,152,189	-	119,592,628	-	119,592,628
Changes in reinsurers' share of unearned premiums	-	10,055,373	(2,528,650)	-	7,526,723	-	7,526,723
Net premiums earned	358,568,576	177,187,640	34,076,287	-	569,832,503	-	569,832,503
Reinsurance commissions	-	8,732,589	15,423,429	-	24,156,018	-	24,156,018
Fee income from insurance	27,550	53,015	327,878	-	408,443	-	408,443
Total revenues	358,596,126	185,973,244	49,827,594	-	594,396,964	-	594,396,964
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(396,612,329)	(199,939,324)	(27,128,378)	-	(623,680,031)	-	(623,680,031)
Reinsurers' share of gross claims paid	30,005,783	44,170,819	15,526,713	-	89,703,315	-	89,703,315
Expenses incurred related to claims	(7,210,055)	(5,043,173)	-	-	(12,253,228)	-	(12,253,228)
Net claims and other benefits paid	(373,816,601)	(160,811,678)	(11,601,665)	-	(546,229,944)	-	(546,229,944)
Changes in outstanding claims	(6,877,908)	7,654,937	9,970,546	-	10,747,575	-	10,747,575
Changes in reinsurers' share of outstanding claims	(381,922)	(1,917,291)	(11,959,697)	-	(14,258,910)	-	(14,258,910)
Changes in claims incurred but not reported	(10,428,015)	(1,941,106)	(3,580,934)	-	(15,950,055)	-	(15,950,055)
Changes in reinsurers' share of claims incurred but not reported	1,178,422	818,177	(613,174)	-	1,383,425	-	1,383,425
Net claims and other benefits incurred	(390,326,024)	(156,196,961)	(17,784,924)	-	(564,307,909)	-	(564,307,909)

(continued)

7. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	**(29,886,356)**	**(15,340,046)**	**(7,186,823)**	**-**	**(52,413,225)**	**-**	**(52,413,225)**
Changes in additional premium reserves	**(6,541,894)**	**(3,616,173)**	**(566,105)**	**-**	**(10,724,172)**	**-**	**(10,724,172)**
Changes in other technical reserves	**(3,957,732)**	**(1,662,575)**	**(1,152,138)**	**-**	**(6,772,445)**	**-**	**(6,772,445)**
Other underwriting expenses	**(1,871,352)**	**(1,000,074)**	**(5,058,871)**	**-**	**(7,930,297)**	**-**	**(7,930,297)**
Total underwriting costs and expenses, net	**(432,583,358)**	**(177,815,829)**	**(31,748,861)**	**-**	**(642,148,048)**		**(642,148,048)**
NET UNDERWRITING (LOSS) INCOME	**(73,987,232)**	**8,157,415**	**18,078,733**	**-**	**(47,751,084)**	**-**	**(47,751,084)**
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					**(2,627,528)**	**-**	**(2,627,528)**
General and administrative expenses					**(110,301,860)**	**(3,287,141)**	**(113,589,001)**
Investment and commission income					**6,518,482**	**11,236,759**	**17,755,241**
Finance costs					**(624,886)**	**-**	**(624,886)**
Other income					**7,647,999**	**-**	**7,647,999**
Total other operating (expenses) income, net					**(99,387,793)**	**7,949,618**	**(91,438,175)**
Total (loss) income for the year before surplus attribution, zakat and income tax					**(147,138,877)**	**7,949,618**	**(139,189,259)**
Surplus attributed to the insurance operations					**-**	**-**	**-**
Total (loss) income for the year before zakat and income tax					**(147,138,877)**	**7,949,618**	**(139,189,259)**
Zakat expense					**-**	**(2,000,000)**	**(2,000,000)**
Income tax expense					**-**	**-**	**-**
Total (loss) income for the year attributable to the shareholders					**(147,138,877)**	**5,949,618**	**(141,189,259)**

7. Segmental information (continued)

	Insurance operations						
For the year ended December 31, 2020	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
REVENUES							
Gross premiums written	391,350,710	99,230,577	66,542,161	-	557,123,448	-	557,123,448
Reinsurance premiums ceded:							
- Foreign	-	(33,082,088)	(40,940,226)	-	(74,022,314)	-	(74,022,314)
- Local	-	(5,770,119)	(5,998,848)	-	(11,768,967)	-	(11,768,967)
Excess of loss expenses:							
- Foreign	(15,646,492)	(1,592,828)	(1,084,810)	-	(18,324,130)	-	(18,324,130)
- Local	-	(296,990)	(244,169)	-	(541,159)	-	(541,159)
Net premiums written	375,704,218	58,488,552	18,274,108	-	452,466,878	-	452,466,878
Changes in unearned premiums	(34,906,994)	21,007,056	3,799,488	-	(10,100,450)	-	(10,100,450)
Changes in reinsurers' share of unearned premiums	-	(4,931,405)	(2,550,886)	-	(7,482,291)	-	(7,482,291)
Net premiums earned	340,797,224	74,564,203	19,522,710	-	434,884,137	-	434,884,137
Reinsurance commissions	-	8,452,766	15,869,030	-	24,321,796	-	24,321,796
Fee income from insurance	38,050	47,276	137,966	-	223,292	-	223,292
Total revenues	340,835,274	83,064,245	35,529,706	-	459,429,225	-	459,429,225
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(293,030,692)	(98,615,301)	(8,916,096)	-	(400,562,089)	-	(400,562,089)
Reinsurers' share of gross claims paid	18,467,190	37,106,145	5,414,723	-	60,988,058	-	60,988,058
Expenses incurred related to claims	(5,176,628)	(717,624)	-	-	(5,894,252)	-	(5,894,252)
Net claims and other benefits paid	(279,740,130)	(62,226,780)	(3,501,373)	-	(345,468,283)	-	(345,468,283)
Changes in outstanding claims	16,590,613	(2,790,709)	(6,664,810)	-	7,135,094	-	7,135,094
Changes in reinsurers' share of outstanding claims	(1,176,546)	2,175,211	4,786,794	-	5,785,459	-	5,785,459
Changes in claims incurred but not reported	(46,354,318)	10,788,720	2,720,380	-	(32,845,218)	-	(32,845,218)
Changes in reinsurers' share of claims incurred but not reported	4,107,794	(5,775,125)	(3,086,993)	-	(4,754,324)	-	(4,754,324)
Net claims and other benefits incurred	(306,572,587)	(57,828,683)	(5,746,002)	-	(370,147,272)	-	(370,147,272)

(continued)

7. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and Casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(27,322,000)	(9,992,826)	(4,579,921)	-	(41,894,747)	-	(41,894,747)
Changes in additional premium reserves	7,646,172	799,407	-	-	8,445,579	-	8,445,579
Changes in other technical reserves	(3,400,177)	(197,180)	(417,570)	-	(4,014,927)	-	(4,014,927)
Other underwriting expenses	(997,146)	(401,445)	(1,397,335)	-	(2,795,926)	-	(2,795,926)
Total underwriting costs and expenses, net	(330,645,738)	(67,620,727)	(12,140,828)	-	(410,407,293)	-	(410,407,293)
NET UNDERWRITING INCOME	10,189,536	15,443,518	23,388,878	-	49,021,932	-	49,021,932
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					(8,952,215)	-	(8,952,215)
General and administrative expenses					(97,246,197)	(4,407,139)	(101,653,336)
Investment and commission income					7,650,197	4,622,832	12,273,029
Finance costs					(675,141)	-	(675,141)
Other income					10,621,610	-	10,621,610
Total other operating (expenses) income, net					(88,601,746)	215,693	(88,386,053)
Total (loss) income for the year before surplus attribution, zakat and income tax					(39,579,814)	215,693	(39,364,121)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the year before zakat and income tax					(39,579,814)	215,693	(39,364,121)
Zakat expense					-	(6,212,972)	(6,212,972)
Income tax expense					-	-	-
Total loss for the year attributable to the shareholders					(39,579,814)	(5,997,279)	(45,577,093)

7. Segmental information (continued)

Gross written premium for the year ended December 31, 2021 can be categorized in following client categories:

	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	**60,401,737**	**66,821,672**	**44,732,112**	**-**	**171,955,521**
Medium corporates	**31,951,548**	**134,291,716**	**20,070,248**	**-**	**186,313,512**
Small enterprises	**61,414,082**	**21,271,781**	**6,337,362**	**-**	**89,023,225**
Micro enterprises	**99,157,830**	**4,674,446**	**959,814**	**-**	**104,792,090**
Retail	**7,335,279**	**2,630,299**	**10,473,124**	**-**	**20,438,702**
	260,260,476	**229,689,914**	**82,572,660**	**-**	**572,523,050**

Gross written premium for the year ended December 31, 2020 can be categorized in following client categories:

	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	34,434,141	39,878,984	41,473,168	-	115,786,293
Medium corporates	55,533,940	34,659,617	17,303,275	-	107,496,832
Small enterprises	22,804,522	10,202,381	6,186,233	-	39,193,136
Micro enterprises	65,172,163	7,343,618	1,027,551	-	73,543,332
Retail	213,405,944	7,145,977	551,934	-	221,103,855
	391,350,710	99,230,577	66,542,161	-	557,123,448

8. Cash and cash equivalents

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

	Insurance operations	
	December 31, 2021	**December 31, 2020**
Cash on hand	**20,190**	20,190
Cash at banks - current accounts	**10,366,715**	36,768,829
Time deposits	**30,279,792**	31,063,175
	40,666,697	67,852,194

	Shareholders' operations	
	December 31, 2021	**December 31, 2020**
Cash at banks - current accounts	**2,999,940**	5,152,503
Time deposits	**71,315,456**	106,503,332
	74,315,396	111,655,835
Total cash and cash equivalents	**114,982,093**	179,508,029

8. Cash and cash equivalents (continued)

Cash at banks is placed with counterparties with sound credit ratings. As at December 31, 2021, time deposits were placed with local banks and financial institutions with original maturities of less than three months from the date of placement and earned commission income at an average rate of 4.25% to 6% per annum (December 31, 2020: 1.6% to 6%) per annum.

9. Premiums and reinsurers' receivable - net

	December 31, 2021	December 31, 2020
Premiums receivable from policyholders	**148,699,770**	197,986,057
Premiums receivable from brokers	**27,934,934**	36,557,633
Receivable from reinsurance companies	**35,540,016**	20,987,428
	212,174,720	255,531,118
Allowance for doubtful debts:		
Receivable from policyholders	**(41,393,582)**	(37,890,232)
Receivable from brokers	**(4,273,816)**	(5,593,981)
Receivable from reinsurance companies	**(5,283,982)**	(5,478,176)
	(50,951,380)	(48,962,389)
	161,223,340	206,568,729

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

	December 31, 2021	December 31, 2020
January 1	**48,962,389**	43,787,305
Charge for the year, net	**2,870,788**	7,618,928
Written-off during the year	**(881,797)**	(2,443,844)
December 31	**50,951,380**	48,962,389

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

2021			**Past due and impaired**		
Premium and reinsurers' receivables	**Total**	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
Policyholders	**148,699,770**	**79,180,063**	**10,150,262**	**7,883,037**	**51,486,408**
Brokers	**27,934,934**	**16,743,772**	**1,596,031**	**4,053,809**	**5,541,322**
Reinsurance companies	**35,540,016**	**13,533,806**	**6,612,454**	**4,986,026**	**10,407,730**
	212,174,720	**109,457,641**	**18,358,747**	**16,922,872**	**67,435,460**

9. Premiums and reinsurers' receivable - net (continued)

2020 Premium and reinsurers' receivables	Total	Neither impaired nor past due	Past due and impaired 91-180 days	181-360 days	More than 360 days
Policyholders	197,986,057	94,061,751	41,237,061	19,141,327	43,545,918
Brokers	36,557,633	14,266,353	12,413,736	2,600,363	7,277,181
Reinsurance companies	20,987,428	7,328,411	4,397,432	2,389,090	6,872,495
	255,531,118	115,656,515	58,048,229	24,130,780	57,695,594

Premium and reinsurers' receivable outstanding above 90 days amounted to Saudi Riyals 102.7 million (2020: Saudi Riyals 139.8 million) against which a provision of Saudi Riyals 50.9 million (2020: Saudi Riyals 48.9 million) was established.

The Company only enters into insurance and reinsurance contracts with recognised, 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.

Receivables comprise a large number of customers, intermediaries and reinsurance companies mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Middle East and Europe. All receivables are in Saudi Riyals. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount.

10. Premiums receivable - related parties - net

	December 31, 2021	December 31, 2020
Receivables from related parties	**5,936,160**	10,038,075
Less: provision for doubtful receivables	**(1,483,538)**	(1,726,798)
	4,452,622	8,311,277

Movement in provision for doubtful receivables is as follows:

	December 31, 2021	December 31, 2020
January 1	**1,726,798**	393,511
(Reversal) charge for the year	**(243,260)**	1,333,287
December 31	**1,483,538**	1,726,798

The aging analysis of premiums receivable from related parties is set out below:

	Total	Neither impaired nor past due	Past due and impaired 91-180 days	181-360 days	More than 360 days
December 31, 2021	**5,936,160**	**1,848,377**	**1,617,959**	**1,004,153**	**1,465,671**
December 31, 2020	10,038,075	3,952,253	1,507,374	3,082,569	1,495,879

10. Premiums receivable - related parties - net (continued)

Premium receivable from related parties above 90 days amounted to Saudi Riyals 4.1 million (2020: Saudi Riyals 6.1 million) against which a provision of Saudi Riyals 1.4 million (2020: Saudi Riyals 1.7 million) was established.

The Company's terms of business generally require premiums to be settled within 90 days. As at December 31, 2021, approximately 66% of receivables from related parties was due from two parties (December 31, 2020: 57% due from two parties).

On the basis of past experience unimpaired premiums receivable from related parties are expected to be fully recoverable. The Company does not obtain collateral over these receivables and all receivables are, therefore, unsecured.

11. Technical reserves

11.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise the following:

	2021		
	Gross	**Reinsurance**	**Net**
January 1	**104,742,560**	**(48,489,107)**	**56,253,453**
Claims paid	**(635,933,259)**	**89,703,315**	**(546,229,944)**
Claims incurred	**658,128,475**	**(77,779,426)**	**580,349,049**
December 31	**126,937,776**	**(36,565,218)**	**90,372,558**
Salvage and subrogation	**(32,942,791)**	**2,335,021**	**(30,607,770)**
Gross outstanding claims	**93,994,985**	**(34,230,197)**	**59,764,788**
Claims incurred but not reported	**186,847,969**	**(21,446,416)**	**165,401,553**
Additional premium reserves	**22,019,563**	**-**	**22,019,563**
Other technical reserves	**17,984,038**	**-**	**17,984,038**
December 31	**320,846,555**	**(55,676,613)**	**265,169,942**

11. Technical reserves (continued)

11.1 Net outstanding claims and reserves (continued)

	2020		
	Gross	**Reinsurance**	**Net**
January 1	75,084,698	(26,723,121)	48,361,577
Additions from merger (Note 4)	36,792,956	(15,980,527)	20,812,429
Claims paid	(406,456,341)	60,988,058	(345,468,283)
Claims incurred	422,843,172	(68,898,480)	353,944,692
December 31	128,264,485	(50,614,070)	77,650,415
Salvage and subrogation	(23,521,925)	2,124,963	(21,396,962)
Gross outstanding claims	104,742,560	(48,489,107)	56,253,453
Claims incurred but not reported	170,897,914	(20,062,991)	150,834,923
Additional premium reserves	11,295,391	-	11,295,391
Other technical reserves	11,211,593	-	11,211,593
December 31	298,147,458	(68,552,098)	229,595,360

Also see Note 28.7 for the claims development disclosure.

11.2 Movement in net unearned premiums

Movement in unearned premiums comprise of the following:

	2021		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**375,588,801**	**(36,474,798)**	**339,114,003**
Balance as at the end of the year	**(255,996,173)**	**44,001,521**	**(211,994,652)**
Changes in unearned premiums	**119,592,628**	**7,526,723**	**127,119,351**
Premium written during the year	**572,523,050**	**(107,358,473)**	**465,164,577**
Excess of loss premiums	**-**	**(22,451,425)**	**(22,451,425)**
Net premium earned	**692,115,678**	**(122,283,175)**	**569,832,503**

	2020		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	257,512,800	(39,619,088)	217,893,712
Additions from merger (Note 4)	107,975,551	(4,338,001)	103,637,550
Balance as at the end of the year	(375,588,801)	36,474,798	(339,114,003)
Changes in unearned premiums	(10,100,450)	(7,482,291)	(17,582,741)
Premium written during the year	557,123,448	(85,791,281)	471,332,167
Excess of loss premiums	-	(18,865,289)	(18,865,289)
Net premium earned	547,022,998	(112,138,861)	434,884,137

11. Technical reserves (continued)

11.3 Movement in deferred policy acquisition costs and unearned reinsurance commission

	2021	
	Deferred policy acquisition cost	**Unearned reinsurance commission**
January 1	**29,474,599**	**8,825,885**
Incurred during the year	**40,171,498**	**25,673,092**
Amortised / earned during the year	**(52,413,225)**	**(24,156,018)**
December 31	**17,232,872**	**10,342,959**

	2020	
	Deferred policy acquisition cost	**Unearned reinsurance commission**
January 1	19,545,335	9,680,379
Incurred during the year	44,283,630	22,383,538
Additions from merger (Note 4)	7,540,381	1,083,764
Amortised / earned during the year	(41,894,747)	(24,321,796)
December 31	29,474,599	8,825,885

12. Investments

a) *Investments are classified as follows:*

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Available-for-sale	**124,878,010**	109,187,954	**117,403,853**	114,817,528
Held-to-maturity	**14,933,044**	5,002,013	**20,551,725**	28,051,719
	139,811,054	114,189,967	**137,955,578**	142,869,247

b) *Category wise investment analysis is as follows:*

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Quoted	**127,956,945**	112,266,889	**122,480,777**	119,894,450
Unquoted	**11,854,109**	1,923,078	**15,474,801**	22,974,797
	139,811,054	114,189,967	**137,955,578**	142,869,247

12. Investments (continued)

c) The analysis of the composition of investments is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Mutual funds	**19,355,265**	19,138,912	**28,783,585**	25,365,082
Ordinary shares	**1,923,078**	1,923,078	**1,923,078**	1,923,078
Sukuks	**118,532,711**	93,127,977	**107,248,915**	115,581,087
	139,811,054	114,189,967	**137,955,578**	142,869,247

Management has performed a review for the existence impairment indicators for investments and based on specific information, management did not identify any impairment indicators in respect of the investments.

All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 24.7 million were denominated in United States Dollars (December 31, 2020: Saudi Riyals 21.5 million).

d) Movement in available-for-sale investments is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
At the beginning of the year	**109,187,954**	34,425,766	**114,817,528**	104,417,562
Purchases during the year	**19,288,091**	75,291,548	**10,000,000**	15,436,583
Additions from merger (Note 4)	**-**	-	**-**	2,320,573
Disposals during the year	**-**	(5,325,983)	**(10,000,000)**	(7,312,500)
Unrealised (loss) gains	**(3,598,035)**	4,796,623	**2,586,325**	48,148
Realised gains (losses) on disposal	**-**	1,264,888	**140,129**	(53,381)
Realized gain reclassified from equity to statement of income	**-**	(1,264,888)	**(140,129)**	(39,457)
At the end of the year	**124,878,010**	109,187,954	**117,403,853**	114,817,528

e) Movement in held-to-maturity investments is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
At the beginning of the year	**5,002,013**	11,250,084	**28,051,719**	16,002,013
Transfer / purchases during the year	**9,931,031**	12,002,013	**-**	14,708,419
Additions from merger (Note 4)	**-**	-	**-**	12,093,300
Transfer / redemption during the year	**-**	(18,250,084)	**(7,499,994)**	(14,752,013)
At the end of the year	**14,933,044**	5,002,013	**20,551,725**	28,051,719

12. Investments (continued)

f) Held-to-maturity investments are as follows:

Insurance operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost December 31, 2021	Amortised cost December 31, 2020
Sukuk	Saudi Electricity Company	May 2022	Saudi Arabia	3.15%	**5,002,013**	5,002,013
Finance Fund 21	NBK Wealth Management	August 2026	Saudi Arabia	6%	**9,931,031**	-
					14,933,044	5,002,013

Shareholders' operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost December 31, 2021	Amortised cost December 31, 2020
STC Sukuk	STC	September 2024	Saudi Arabia	2.49%	**2,000,000**	2,000,000
MPC - Sukuk	MPC	February 2025	Saudi Arabia	3.44%	**5,000,000**	5,000,000
Sukuk	Saudi Kuwait Finance House	December 2021	Saudi Arabia	6 months SIBOR plus 7.50%	**1,458,425**	8,958,419
Sukuk	AlAwwal energy Fund	2028	Saudi Arabia	SIBOR plus 8.2%	**12,093,300**	12,093,300
					20,551,725	28,051,719

g) Geographical concentration:

The maximum exposure to credit and price risk for available-for-sale and held-to-maturity investments at the reporting date by geographic region is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Kingdom of Saudi Arabia	**136,030,860**	114,189,967	**117,036,409**	121,359,120
United Arab Emirates	**-**	-	**10,663,253**	10,906,559
France	**-**	-	**7,089,263**	7,184,046
Switzerland	**-**	-	**3,166,653**	3,419,522
United Kingdom	**3,780,194**	-	**-**	-
	139,811,054	114,189,967	**137,955,578**	142,869,247

13. Short-term and long-term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earned commission income at a rate of 1.10% to 6% per annum for the year ended 31 December 2020. No such deposits were placed during the year 2021.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with the financial institution carrying commission income at the rate of 6% per annum and will mature by September 2024.

14. Prepaid expenses and other assets

	Insurance operations		Shareholders' operations	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Receivable from Manafeth Fund	**-**	575,362	-	-
VAT receivable - net	**13,531,309**	2,964,607	-	-
Deferred Najm management fee	**10,395,153**	-	-	-
Hospital deposits	**4,595,702**	5,336,500	-	-
Accrued investment income	**2,791,286**	1,583,266	**2,001,550**	1,594,088
Prepaid subscription fee	**2,771,875**	1,704,094	-	-
Prepaid rent	**2,763,041**	529,813	-	-
Deferred supervision fees	**1,385,448**	7,762,631	-	-
Employees' receivable	**811,029**	1,757,143	-	-
Other	**2,923,329**	4,141,856	**1,743,442**	2,872,005
	41,968,172	26,355,272	**3,744,992**	4,466,093

15. Property and equipment

	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Total
Cost:					
January 1	14,819,231	6,405,903	475,308	2,072,437	23,772,879
Additions	750,295	237,814	-	-	988,109
At December 31	**15,569,526**	**6,643,717**	**475,308**	**2,072,437**	**24,760,988**
Accumulated depreciation:					
January 1	(7,881,057)	(4,646,121)	(475,308)	-	(13,002,486)
Charge for the year	(1,970,409)	(933,185)	-	-	(2,903,594)
December 31	**(9,851,466)**	**(5,579,306)**	**(475,308)**	**-**	**(15,906,080)**
Net book value:					
December 31, 2021	**5,718,060**	**1,064,411**	**-**	**2,072,437**	**8,854,908**

15. Property and equipment (continued)

	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Total
Cost:					
January 1, 2020	12,260,309	5,087,076	475,308	-	17,822,693
Additions	1,311,623	965,372	-	-	2,276,995
Additions from merger (Note 4)	1,247,299	353,455	-	2,072,437	3,673,191
December 31, 2020	14,819,231	6,405,903	475,308	2,072,437	23,772,879
Accumulated depreciation:					
At January 1, 2020	(7,536,788)	(3,597,399)	(475,308)	-	(11,609,495)
Charge for the year	(344,269)	(1,048,722)	-	-	(1,392,991)
December 31, 2020	(7,881,057)	(4,646,121)	(475,308)	-	(13,002,486)
Net book value:					
December 31, 2020	6,938,174	1,759,782	-	2,072,437	10,770,393

The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

	No. of years
Furniture and office equipment	4 - 10
Computer equipment	4
Vehicles	4
Leasehold improvements	5

16. Intangible assets

	Software	Motor pricing model	Customer Relationships	Total
Cost:				
January 1, 2021	20,875,036	23,428,000	12,661,000	56,964,036
Additions	3,770,228	-	-	3,770,228
December 31, 2021	**24,645,264**	**23,428,000**	**12,661,000**	**60,734,264**
Accumulated amoritsation:				
January 1, 2021	(8,768,291)	-	-	(8,768,291)
Charge for the year	(3,002,224)	(3,625,762)	(1,959,440)	(8,587,426)
December 31, 2021	**(11,770,515)**	**(3,625,762)**	**(1,959,440)**	**(17,355,717)**
Net book value:				
December 31, 2021	**12,874,749**	**19,802,238**	**10,701,560**	**43,378,547**

	Software	Motor pricing model	Customer relationships	Total
Cost:				
January 1, 2020	9,952,133	-	-	9,952,133
Additions	3,870,327	-	-	3,870,327
Intangibles recognized from purchase price allocation (Note 5)	-	23,428,000	12,661,000	36,089,000
Additions from merger (Note 4)	7,052,576	-	-	7,052,576
December 31, 2020 (as revised)	20,875,036	23,428,000	12,661,000	56,964,036
Accumulated amoritsation:				
January 1, 2020	(6,860,279)	-	-	(6,860,279)
Charge for the year	(1,908,012)	-	-	(1,908,012)
December 31, 2020	(8,768,291)	-	-	(8,768,291)
Net book value:				
December 31, 2020 (as revised)	12,106,745	23,428,000	12,661,000	48,195,745

Please also see Note 4.

Amortisation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Software	5
Motor pricing model	7
Customer relationships	7

17. Right-of-use assets and lease liabilities

a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	2021		
Cost:	**Office premises**	**Point-of-sale stores**	**Total**
January 1, 2021	9,849,381	1,714,843	11,564,224
Additions during the year	-	161,287	161,287
Termination during the year	-	(401,728)	(401,728)
December 31, 2021	**9,849,381**	**1,474,402**	**11,323,783**
Accumulated depreciation:			
January 1, 2021	(1,699,648)	(585,803)	(2,285,451)
Charge for the year	(1,374,788)	(464,415)	(1,839,203)
Termination during the year	-	384,958	384,958
December 31, 2021	**(3,074,436)**	**(665,260)**	**(3,739,696)**
Net book value			
At December 31, 2021	**6,774,945**	**809,142**	**7,584,087**

	2020		
Cost:	**Office premises**	**Point-of-sale stores**	**Total**
January 1, 2020	7,616,668	825,743	8,442,411
Additions during the year	-	373,089	373,089
Additions from merger (Note 4)	2,232,713	558,609	2,791,322
Termination during the year	-	(42,598)	(42,598)
December 31, 2020	9,849,381	1,714,843	11,564,224
Accumulated depreciation:			
January 1, 2020	(924,481)	(286,867)	(1,211,348)
Charge for the year	(775,167)	(341,047)	(1,116,214)
Termination during the year	-	42,111	42,111
December 31, 2020	(1,699,648)	(585,803)	(2,285,451)
Net book value:			
December 31, 2020	8,149,733	1,129,040	9,278,773

17. Right-of-use assets and lease liabilities (continued)

a) Amounts recognised in the statement of financial position (continued)

Lease liabilities

Commitments in relation to lease obligations are payable as follows:

	December 31, 2021	December 31, 2020
Within one year	**3,229,743**	2,105,500
Later than one year but not later than five years	**3,984,096**	4,677,799
Later than five years	**941,600**	1,883,200
	8,155,439	8,666,499
Future finance costs	**(1,422,629)**	(1,165,727)
Total lease liabilities	**6,732,810**	7,500,772
Current	**2,811,314**	1,822,290
Non-current	**3,921,496**	5,678,482
	6,732,810	7,500,772

Movement in lease liabilities is as follows:

	2021	2020
January 1	**7,500,772**	7,852,336
Addition during the year	**161,287**	373,089
Additions from merger (Note 4)	**-**	1,321,462
Termination during the year	**(129,058)**	285
Finance costs	**275,559**	254,600
	7,808,560	9,801,772
Payments during the year	**(1,075,750)**	(2,301,000)
December 31	**6,732,810**	7,500,772

b) Amounts recognised in the statement of income

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to Saudi Riyals 0.27 million for the year ended December 31, 2021. Expenses relating to short-term leases amounted to Saudi Riyals 3.9 million for the year ended December 31, 2021 (December 31, 2020: Saudi Riyals 2.5 million).

c) Details for leasing activities of the Company

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 10 years, but may have extension options. The weighted average incremental borrowing rate applied to the lease liability was 4%. During the year, the Company has recognised one additional rental contract as a right-of-use assets and lease liability. This rental contract is made for a period not more than 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes.

18. Statutory reserve

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer was made for the year ended December 31, 2021 due to accumulated deficit (December 31, 2020: No such transfer). This reserve is not available for distribution to the shareholders until the liquidation of the Company.

19. Basic and diluted losses per share

Basic and diluted losses per share are calculated by dividing total loss for the year attributable to the shareholders by the weighted average number of outstanding shares during the year.

	For the year ended December 31	
	2021	**2020**
Total loss for the year attributable to the shareholders	**(141,189,259)**	(45,577,093)
Weighted average number of ordinary shares for basic and diluted losses per share	**22,947,464**	15,566,121
Basic and diluted losses per share	**(6.15)**	(2.93)

20. Related party transactions and balances

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

Nature of transactions	Transactions for the year ended		Balance receivable / (payable) as at	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Major shareholders				
Insurance premium written	**13,057,848**	14,596,545		-
Claims paid	**(1,482,444)**	(3,214,010)		-
Premium receivable from related parties	**-**	-	**5,936,160**	10,038,075
Others				
Rent expense	**(880,000)**	(2,242,463)	-	-
Services	**-**	(654,843)	-	-
Directors' remuneration and meeting fee	**(748,500)**	(1,446,000)	-	-

20. Related party transactions and balances (continued)

a) Compensation of key management personnel

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

	December 31, 2021	December 31, 2020
Salaries and benefits	**6,581,446**	5,250,183
Employee benefit obligations	**463,686**	311,876
	7,045,132	5,562,059

21. Zakat and income tax

a) Zakat

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

	2021	2020
Share capital	**229,474,640**	150,000,000
Reserves, opening provisions and other adjustments	**70,423,248**	43,095,376
Provisions	**69,385,802**	55,612,823
Book value of long-term assets	**(21,729,657)**	(16,536,115)
Investments	**(48,698,027)**	(105,721,142)
Goodwill	**(67,697,750)**	-
Statutory deposits	**(34,421,196)**	-
Adjusted net loss for the year	**(132,710,435)**	(31,337,223)
Zakat base	**64,026,625**	95,113,719
Zakat due at 2.578% (Saudi Shareholders' share of zakat base @ 95.42%)	**1,650,606**	2,451,731

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

	2021	2020
January 1	**19,958,958**	2,769,769
Provided during the year	**2,000,000**	2,451,731
Additions from merger (Note 4)	-	15,621,219
Adjustments related to prior years	-	3,761,241
Payments during the year	**(1,886,010)**	(4,645,002)
December 31	**20,072,948**	19,958,958

21. Zakat and income tax (continued)

b) Income tax

	2021	2020
Total loss for the year before surplus attribution, zakat and income tax	**(139,189,259)**	(39,364,121)
Accounting depreciation	**11,491,020**	3,301,003
Provisions for employee benefit obligations	**3,232,123**	2,433,351
Provision for doubtful debts, net	**1,798,227**	9,080,666
Tax depreciation	**(5,113,710)**	(3,735,013)
Payments of employee benefit obligations	**(4,928,836)**	(3,053,109)
Adjusted net loss for the year	**(132,710,435)**	(31,337,223)
Tax at 20% (Foreign Shareholders' share @ 4.58%)	**-**	-

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

	2021	2020
January 1	**-**	-
Adjustments related to prior years	**-**	-
Payments during the year	**-**	-
December 31	**-**	-

Combined movement of zakat and income tax was as follows:

	2021	2020
January 1	**19,958,958**	2,769,769
Adjustments related to prior years	**-**	3,761,241
Provided during the year	**2,000,000**	2,451,731
Additions from merger (Note 4)	**-**	15,621,219
Payments during the year	**(1,886,010)**	(4,645,002)
December 31	**20,072,948**	19,958,958

c) Status of assessment

The Company has obtained zakat and income tax certificates from the ZATCA for the years through 2020. In July 2020, the Company received zakat and income tax assessment for the year 2014 amounting to Saudi Riyals 7.1 million. The zakat differences as per the initial assessments were mainly due to the disallowances by ZATCA of certain balances related to outstanding claims, IBNR, accounts and reinsurance payable and amounts due to related parties from the zakat base. The Company filed an appeal against the ZATCA's initial assessment and received an updated assessment amounting to Saudi Riyals 3.3 million. The Company has further filed an appeal to the Committee for Resolution of Tax Violations and Disputes and believes that the outcome of such appeal will be in favor of the Company. During 2020, the Company also received zakat and income tax assessment for the year 2015 through 2018 amounting to Saudi Riyals 10.25 million.

21. Zakat and income tax (continued)

c) Status of assessment (continued)

The zakat differences as per the initial assessments were mainly due to the disallowances by ZATCA of certain balances related to term deposits and investments from the zakat base. The Company has recognised an additional provision amounting to Saudi Riyals 1.9 million under protest and paid such amount to ZATCA, and in parallel filed an appeal against the ZATCA's initial assessment. During 2021, the Company received revised assessments for the years 2015 through 2018 with additional zakat liability of Saudi Riyals 8.36 million. The Company has filed an appeal with the Tax Violations and Disputes Resolution Committees against ZATCA's revised assessment and believes that the outcome of such appeal will be in favor of the Company. Accordingly, no further provision for such additional assessments has been made in the accompanying financial statements.

During the year 2021, the Company received zakat and income tax assessment for the year 2020 amounting to Saudi Riyals 3.9 million. The zakat differences as per the initial assessments were mainly due to the disallowances by ZATCA of certain balances related to deferred acquisition cost and investments from the zakat base. As at December 31, 2021, the Company has filed an appeal in relation to this draft assessment and received an updated draft assessment amounting to Saudi Riyals 2.7 million and company has not received final assessment till date.

The Company's zakat and income tax assessment for the year 2019 is currently under review by the ZATCA. The zakat and income tax liability as computed by the Company could be different from zakat and income tax liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

In 2018, Al Ahlia received zakat and income tax assessments for the years 2011 and 2012 amounting to Saudi Riyals 2.1 million. Al Ahlia filed an appeal against the ZATCA's assessment to General Secretariat of the Tax Committees ("Higher Committee") for which the outcome is pending. Further, during 2020, Al Ahlia received zakat and income tax assessments for the years 2015 through 2018 amounting to Saudi Riyals 9.5 against which Al Ahlia filed an appeal to the Higher Committee and the outcome is pending. The zakat differences as per the initial assessments for the years 2011, 2012 and 2015 through 2018 were mainly due to the disallowances by ZATCA of certain balances related to investments, statutory deposit and adjusted accumulated losses from the zakat base. Management believes that ZATCA will reconsider the initial assessments and will allow certain deductions from the zakat base in the final assessments. However, Al Ahlia's management has submitted a settlement request to the ZATCA for all pending assessments with an amount of Saudi Riyals 7.8 million and is of the view that the level of the existing provisions for zakat is presently sufficient. Al Ahlia had obtained zakat and income tax certificates from the ZATCA for the years through 2019 and its zakat and income tax assessment for the year 2019 is currently under review by the ZATCA.

During the year 2021, the Company received zakat and income tax assessment for the year 2019 amounting to SAR 2.1 million. The zakat differences as per the initial assessments were mainly due to the disallowances by ZATCA of certain balances related investments, deposits from the zakat base. The Company filed an appeal against the ZATCA's initial assessment and believes that outcome of such appeal will be in favour of the Company. Accordingly, no further provision for such additional assessments has been made in the accompanying financial statements.

22. Employee benefit obligations

22.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	2021	**2020**
January 1	**20,659,103**	15,595,370
Additions from merger (Note 4)	**-**	6,585,890
Current service cost	**2,882,796**	2,012,810
Finance costs	**349,327**	420,541
Payments	**(4,928,836)**	(3,053,109)
Remeasurement	**(2,034,710)**	(902,399)
December 31	**16,927,680**	20,659,103

22.2 Amounts recognised in the statements of income and comprehensive income

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	2021	**2020**
Current service cost	**2,882,796**	2,012,810
Interest expense	**349,327**	420,541
Total amount recognised in the statement of income	**3,232,123**	2,433,351
Remeasurements		
Gain from change in experience adjustments	**(2,034,710)**	(902,399)
Total amount recognised in the statement of comprehensive income	**(2,034,710)**	(902,399)

22.3 Principal actuarial assumptions

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

	2021	**2020**
Discount rate	**2.30%**	1.65%
Salary growth rate	**2.30%**	1.65%

22. Employee benefit obligations (continued)

22.4 Sensitivity analysis for actuarial assumptions

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

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	+0.5%	-0.5%	(591,644)	632,691
Salary growth rate	+0.5%	-0.5%	629,508	(594,454)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligation.

22.5 Expected maturity analysis

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
December 31, 2021	**1,709,882**	**3,298,035**	**5,448,821**	**10,862,817**	**21,319,555**
December 31, 2020	1,854,079	6,857,593	6,140,962	9,894,761	24,747,395

23. Share capital

The authorized, issued and paid-up capital of the Company was Saudi Riyals 229.4 million at December 31, 2021 (December 31, 2020: Saudi Riyals 229.4 million) consisting of 22.9 million shares (December 31, 2020: 22.9 million shares) of Saudi Riyals 10 each. Also see Note 4.

Shareholding structure of the Company is as below.

	Authorized and issued		**Paid up**
	No. of shares	**Saudi Riyals**	
December 31, 2021			
Gulf Union Insurance and Project Management Holding Company BSC	**2,475,000**	**24,750,000**	**24,750,000**
Others	**20,472,464**	**204,724,640**	**204,724,640**
Total	**22,947,464**	**229,474,640**	**229,474,640**

	Authorized and issued		**Paid up**
	No. of shares	**Saudi Riyals**	
December 31, 2020			
Gulf Union Insurance and Project Management Holding Company BSC	2,475,000	24,750,000	24,750,000
Others	20,472,464	204,724,640	204,724,640
Total	22,947,464	229,474,640	229,474,640

24. Surplus distribution payable

	2021	2020
January 1	**13,748,722**	11,343,469
Additions from merger (Note 4)	-	1,470,696
Total of unclaimed surplus distribution payable from accrued expenses	-	934,557
December 31	**13,748,722**	13,748,722

25. General and administrative expenses

	2021	2020
Salaries and benefits	**57,072,069**	44,075,363
Depreciation and amortisation (Notes 15, 16 and 17)	**13,330,223**	4,417,217
Insurance expense	**5,955,865**	4,573,268
Professional fee	**4,538,087**	10,184,725
Information technology	**4,143,229**	4,522,647
Travelling	**4,003,030**	3,929,403
Rent	**3,988,559**	2,447,686
Supervision and inspection fee	**3,856,945**	5,278,129
Employee benefit obligations (Note 22)	**2,882,796**	2,012,810
Telephone and postage	**1,911,010**	734,492
Repair and maintenance	**1,778,211**	1,229,479
Stationary, periodicals and subscription	**324,226**	133,269
Promotion and advertising	**80,915**	1,887,757
Other	**9,723,836**	16,227,091
	113,589,001	101,653,336

26. Investment and commission income

	2021	2020
Available-for-sale financial assets		
Investment and dividend income	**8,425,862**	7,591,653
Deposits		
Commission income	**9,329,379**	4,681,376
	17,755,241	12,273,029

27. Fair value of financial instruments

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

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

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

Level 1 - quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2 - quoted prices in active markets for similar assets liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 - valuation techniques for which any significant input is not based on observable market data.

(a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. As at December 31, 2021 and 2020, the face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair values of the non-current financial liabilities are considered to approximate to their carrying amounts as these carry interest rates which are based on market interest rates.

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - available-for-sale	**48,138,850**	-	-	**48,138,850**
Sukuks - available-for-sale	**190,296,857**	-	-	**190,296,857**
Ordinary shares - available-for-sale	-	-	**3,846,156**	**3,846,156**
Financial assets not measured at fair value				
Held-to-maturity	**12,002,013**	**23,482,756**	-	**35,484,769**
Total investments	**250,437,720**	**23,482,756**	**3,846,156**	**277,766,632**

27. Fair value of financial instruments (continued)

(a) Carrying amounts and fair value

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - available-for-sale	44,503,994	-	-	44,503,994
Sukuks - available-for-sale	175,655,332	-	-	175,655,332
Ordinary shares - available-for-sale	-	-	3,846,156	3,846,156
Financial assets not measured at fair value				
Held-to-maturity	12,002,013	21,051,719	-	33,053,732
Total investments	232,161,339	21,051,719	3,846,156	257,059,214

During the year, there have been no transfers between level 1, level 2 and level 3.

(b) Measurement of fair values

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. The fair value of Level 2 fixed income investments and funds are taken from reliable and third-party sources. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows, which incorporate assumptions regarding an appropriate credit spread. Level 3 available-for-sale investment comprises equity investment of 384,616 of Najm for Insurance Services (Najm) (2020: 384,616 shares). As at December 31, 2021 and 2020, the investment is carried at cost as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, short-term deposits, premiums and reinsurer's balances receivable - net, premium receivable - related parties - net, reinsurers' share of outstanding claims, statutory deposit, accrued income on statutory deposits and the financial labilities except employee benefit obligations are measured at amortised cost.

28. Risk management

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

28. Risk management (continued)

28.1 Insurance risk (continued)

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.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the statement of financial position date:

	2021				**2020**			
	Gross Outstanding claims	**Net Outstanding claims**	**Gross Unearned premiums**	**Net Unearned premiums**	**Gross Outstanding claims**	**Net Outstanding claims**	**Gross Unearned premiums**	**Net Unearned Premiums**
Medical	**23%**	**35%**	**44%**	**53%**	14%	25%	60%	67%
Motor	**28%**	**23%**	**42%**	**38%**	32%	34%	29%	27%
Property and casualty	**49%**	**42%**	**14%**	**9%**	54%	41%	11%	6%
	100%	**100%**	**100%**	**100%**	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 medical and motor segments.

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

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

28. Risk management (continued)

28.1 Insurance risk (continued)

The key source of estimation uncertainty at the reporting 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 reporting date and for the expected ultimate cost of claims incurred but not reported at the reporting date.

Process used to decide on assumptions

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

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

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

28. Risk management (continued)

28.1 Insurance risk (continued)

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

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact the income from insurance operations as follows:

	Income from insurance operations	
	2021	**2020**
Impact of change in claim ratio by + 10%		
Medical	**(13,953,143)**	(12,302,201)
Motor	**(4,921,939)**	(5,378,911)
Property and casualty	**(3,641,552)**	(3,027,726)
	(22,516,634)	(20,708,838)
Impact of change in average claim cost + 10%		
Medical	**(721,006)**	(517,663)
Motor	**(504,317)**	(71,762)
	(1,225,323)	(589,425)

28. Risk management (continued)

28.1 Insurance risk (continued)

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

The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

		Impact on claim liabilities	
Segment	**Change in current year ultimate loss ratio**	**2021**	**2020**
Medical	Increase by 5%	**17,928,429**	17,039,861
Medical	Decrease by 5%	**(17,928,429)**	(17,039,861)
Motor	Increase by 5%	**8,859,382**	3,728,210
Motor	Decrease by 5%	**(8,859,382)**	(3,728,210)

28.2 Reinsurance risk

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

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

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

- Minimum acceptable credit rating by agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for reinsurance business. As at December 31, 2021, 58% of reinsurance receivables balance was due from one party (December 31, 2020: 54% due from two parties).

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

28. Risk management (continued)

28.3 Market risk

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

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

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

a) Currency risk

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

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

b) Commission rate risk

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

An increase or decrease of 500 basis points in interest yields would result in an increase or decrease in the total loss for the year before surplus attribution, zakat and income tax of Saudi Riyals 0.6 million (2020: Saudi Riyals 0.5 million).

28. Risk management (continued)

28.3 Market risk (continued)

b) Commission rate risk (continued)

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

2021	Commission bearing: Less than 1 year	Commission bearing: 1 to 5 years	Commission bearing: More than 5 years	Non-commission bearing	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	**30,279,792**	**-**	**-**	**10,386,905**	**40,666,697**
	30,279,792	**-**	**-**	**10,386,905**	**40,666,697**
Available-for-sale investments	**103,595,632**	**-**	**-**	**21,282,378**	**124,878,010**
Held-to-maturity investments	**5,002,013**	**9,931,031**	**-**	**-**	**14,933,044**
December 31, 2021	**138,877,437**	**9,931,031**	**-**	**31,669,283**	**180,477,751**
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	**71,315,456**	**-**	**-**	**2,999,940**	**74,315,396**
Long-term deposits	**-**	**40,032,877**	**-**	**-**	**40,032,877**
Statutory deposit	**34,421,196**	**-**	**-**	**-**	**34,421,196**
	105,736,652	**40,032,877**	**-**	**2,999,940**	**148,769,469**
Available-for-sale investments	**86,697,193**	**-**	**-**	**30,706,660**	**117,403,853**
Held-to-maturity investments	**1,458,425**	**7,000,000**	**12,093,300**	**-**	**20,551,725**
December 31, 2021	**193,892,270**	**47,032,877**	**12,093,300**	**33,706,600**	**286,725,047**

28. Risk management (continued)

28.3 Market risk (continued)

b) Commission rate risk (continued)

	Commission bearing				
2020	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Non-commission bearing**	**Total**
Insurance operations					
Loans and receivables					
Cash and cash equivalents	31,063,175	-	-	36,768,829	67,832,004
Short-term deposits	86,516,962	-	-	-	86,516,962
	117,580,137	-	-	36,768,829	154,348,966
Available-for-sale investments	-	9,914,000	78,962,264	20,311,690	109,187,954
Held-to-maturity investments	-	5,002,013	-	-	5,002,013
December 31, 2020	117,580,137	14,916,013	78,962,264	57,080,519	268,538,933
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	106,503,332	-	-	5,152,503	111,655,835
Short-term deposits	40,053,779	-	-	-	40,053,779
Statutory deposit	52,871,196	-	-	-	52,871,196
	199,428,307	-	-	5,152,503	204,580,810
Available-for-sale investments	31,108,625	-	66,019,241	17,689,662	114,817,528
Held-to-maturity investments	-	15,958,419	12,093,300	-	28,051,719
December 31, 2020	230,536,932	15,958,419	78,112,541	22,842,165	347,450,057

c) Price risk

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.

28. Risk management (continued)

28.3 Market risk (continued)

c) Price risk (continued)

The Company's investments amounting to Saudi Riyals 242.3 million (2020: Saudi Riyals 224 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be as follows:

% change in equity price	2021	2020
+5	**11,921,785**	11,007,966
-5	**(11,921,785)**	(11,007,966)

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

28.4 Credit risk

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

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

	2021	2020
Insurance operations' assets		
Cash and cash equivalents	**40,646,507**	67,832,004
Short-term deposits	**-**	86,516,962
Premium and reinsurer's receivable	**212,174,720**	255,531,118
Premiums receivable - related parties	**5,936,160**	10,038,075
Reinsurers' share of outstanding claims	**34,230,197**	48,489,107
Reinsurers' share of claims incurred but not reported	**21,446,416**	20,062,991
Investments	**139,811,054**	114,189,967
Prepaid expenses and other assets	**6,512,875**	8,156,104
	460,757,929	610,816,328
Shareholders' assets		
Cash and cash equivalents	**74,315,396**	111,655,835
Short-term deposits	**-**	40,053,779
Long-term deposit	**40,032,877**	-
Prepaid expenses and other assets	**1,691,833**	5,550,000
Investments	**137,955,578**	142,869,247
Statutory deposits	**34,421,196**	52,871,196
Accrued income on statutory deposit	**7,584,087**	7,562,956
	296,000,967	360,563,013
Total	**756,758,896**	971,379,341

28. Risk management (continued)

28.4 Credit risk (continued)

Concentration of credit risk

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

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

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	Investment grade		**Satisfactory**		**Past due and impaired**	
Cash and cash equivalents	**40,646,507**	67,832,004	**-**	-	**-**	-
Short-term deposits	**-**	86,516,962	**-**	-	**-**	-
Long-term deposits	**-**	-	**-**	-	**-**	-
Premiums and reinsurers' receivable	**35,540,059**	20,987,428	**95,923,792**	108,328,104	**80,710,869**	126,215,586
Premiums receivable - related parties – net	**-**	-	**1,848,377**	3,952,253	**4,087,783**	6,085,822
Reinsurers' share of outstanding claims	**34,230,197**	48,489,107	**-**	-	**-**	-
Reinsurers' share of claims incurred but not reported	**21,446,416**	20,062,991	**-**	-	**-**	-
Prepaid expenses and other assets	**-**	-	**6,512,875**	8,156,104	**-**	-
Investments	**137,887,976**	112,266,889	**1,923,078**	1,923,078	**-**	-
Total	**269,751,155**	356,155,381	**106,208,122**	122,359,539	**84,798,652**	132,301,408

28. Risk management (continued)

28.4 Credit risk (continued)

Concentration of credit risk (continued)

Shareholders' operations	2021	2020	2021	2020	2021	2020
	Investment grade		Satisfactory		Past due and impaired	
Cash and cash equivalents	**74,315,396**	111,655,835	**-**	-	**-**	-
Short-term deposits	**-**	40,053,779	**-**	-	**-**	-
Long-term deposit	**46,032,877**	-	**-**	-	**-**	-
Prepaid expenses and other assets	**-**	-	**1,691,833**	5,550,000	**-**	-
Investments	**136,032,500**	140,946,169	**1,923,078**	1,923,078	**-**	-
Statutory deposits	**34,421,196**	52,871,196	**-**	-	**-**	-
Accrued income on statutory deposit	**7,584,087**	7,562,956	**-**	-	**-**	-
Total	**298,386,056**	353,089,935	**3,614,911**	7,473,078	**-**	-

Credit quality of investments as at December 31:

	2021		2020	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
A and above	**137,887,976**	**127,574,077**	110,751,889	109,290,252
B	**-**	**1,458,423**	-	31,655,287
Not rated but considered satisfactory	**1,923,078**	**8,923,078**	3,438,078	1,923,708
	139,811,054	**137,955,578**	114,189,967	142,869,247

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

28. Risk management (continued)

28.5 Liquidity Risk

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

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2021 and 2020. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	2021			**2020**		
Insurance operations' assets	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Cash and cash equivalents	**40,666,697**	**-**	**40,666,697**	67,852,194	-	67,852,194
Short-term deposits	**-**	**-**	**-**	86,516,962	-	86,516,962
Premiums and reinsurers' receivable - net	**161,223,340**	**-**	**161,223,340**	206,568,729	-	206,568,729
Premiums receivable – related parties – net	**4,452,622**	**-**	**4,452,622**	8,311,277	-	8,311,277
Reinsurers' share of outstanding claims	**34,230,197**	**-**	**34,230,197**	48,489,107	-	48,489,107
Reinsurers' share of claims incurred but not reported	**21,446,416**	**-**	**21,446,416**	20,062,991	-	20,062,991
Prepaid expenses and other assets	**6,512,875**	**-**	**6,512,875**	8,156,104	-	8,156,104
Investments	**129,880,023**	**9,931,031**	**139,811,054**	109,187,954	5,002,013	114,189,967
Total	**398,412,170**	**9,931,031**	**408,343,201**	555,145,318	5,002,013	560,147,331

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Risk management (continued)

28.5 Liquidity Risk (continued)

	2021			2020		
Insurance operations' liabilities	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Accounts payable	**117,346,288**	**-**	**117,346,288**	72,108,216	-	72,108,216
Accrued and other liabilities	**14,500,495**	**-**	**14,500,495**	32,675,666	-	32,675,666
Reinsurer's balances payable	**14,478,470**	**-**	**14,478,470**	15,379,852	-	15,379,852
Outstanding claims	**93,994,985**	**-**	**93,994,985**	104,742,560	-	104,742,560
Claims incurred but not reported	**186,847,969**	**-**	**186,847,969**	170,897,914	-	170,897,914
Additional premium reserves	**22,019,563**	**-**	**22,019,563**	11,295,391	-	11,295,391
Other technical reserves	**17,984,038**	**-**	**17,984,038**	11,211,593	-	11,211,593
Lease liabilities	**3,229,743**	**4,925,696**	**8,155,439**	2,105,500	6,560,999	8,666,499
Employee benefit obligations	**1,709,882**	**19,609,673**	**21,319,555**	-	20,659,103	20,659,103
Total	**472,111,433**	**24,535,369**	**496,646,802**	420,416,692	27,220,102	447,636,794
Total liquidity gap	**(73,699,263)**	**(14,604,338)**	**(88,303,601)**	134,728,626	(22,218,089)	112,510,537

28. Risk management (continued)

28.5 Liquidity Risk (continued)

	2021			**2020**		
Shareholders' operations' assets	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Cash and cash equivalents	**74,315,396**	**-**	**74,315,396**	111,655,835	-	111,655,835
Short-term deposits	**-**	**-**	**-**	40,053,779	-	40,053,779
Long-term deposits	**-**	**40,032,877**	**40,032,877**	-	-	-
Prepaid expenses and other assets	**1,743,442**	**-**	**1,743,442**	5,550,000	-	5,550,000
Investments	**118,862,278**	**19,093,300**	**137,955,578**	114,817,528	28,051,719	142,869,247
Statutory deposit	**-**	**34,421,196**	**34,421,196**	-	52,871,196	52,871,196
Accrued income on statutory deposit	**7,738,807**	**-**	**7,738,807**	7,562,956	-	7,562,956
Total	**202,659,923**	**93,547,373**	**296,207,296**	279,640,098	80,922,915	360,563,013

	2021			**2020**		
Shareholders' operations' liabilities	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Accrued and other liabilities	**352,460**	**-**	**352,460**	779,764	-	779,764
Accrued commission income payable to SAMA	**7,738,807**	**-**	**7,738,807**	7,652,956	-	7,652,956
Total	**8,091,267**	**-**	**8,091,267**	8,432,720	-	8,432,720
Total liquidity gap	**194,568,656**	**93,547,373**	**288,116,029**	271,207,378	80,922,915	352,130,293

28.6 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 loss for the year ended December 31, 2021 is mainly attributable to the net underwriting loss of Saudi Riyals 73.9 million in the medical segment during the year ended December 31, 2021 (Note 7). Management has formulated and implemented measures, as approved by the Company's Board of Directors, which include better pricing strategies for both corporate and small and medium enterprises medical policies, diversification of insurance portfolio and improvement in claims management processes, among others. Management expects that this will reflect positively in the operational results and cash flows for the first quarter of 2022.

28. Risk management (continued)

28.6 Operational risk (continued)

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements except solvency margin requirements in notes 1 and 28.8.

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 yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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

28. Risk management (continued)

28.7 Claims development

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance:

Accident year **Estimate of ultimate claims as at December 31, 2021:**	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	1,162,890,096	233,617,530	213,002,984	438,596,441	571,906,479	640,483,767	640,483,767
One year later	1,723,579,592	218,679,449	212,549,612	614,650,320	573,566,458	-	573,566,458
Two years later	2,060,247,428	193,979,220	327,502,575	599,164,752	-	-	599,164,752
Three years later	2,043,800,293	287,261,193	327,976,997	-	-	-	327,976,997
Four years later	3,034,031,217	291,846,369	-	-	-	-	291,846,369
Five years later	3,052,870,048	-	-	-	-	-	3,052,870,048
Current estimate of cumulative claims	3,052,870,048	291,846,369	327,976,997	599,164,752	573,566,458	640,483,767	5,485,908,391
Cumulative payments to date	(3,034,459,547)	(288,552,145)	(321,845,636)	(585,924,649)	(535,666,812)	(405,673,857)	(5,172,122,646)
Liability recognised in statement of financial position	18,410,501	3,294,224	6,131,361	13,240,103	37,899,646	234,809,910	313,785,745
Salvage and subrogation							(32,942,791)
Additional premium reserves							22,019,563
Other technical reserves							17,984,038
Outstanding claims and reserves							320,846,555

28. Risk management (continued)

28.7 Claims development (continued)

Claims development table gross of reinsurance:

Accident year **Estimate of ultimate claims as at December 31, 2020:**	**2015 & earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At the end of accident year	1,102,856,469	126,614,153	233,617,530	213,002,984	438,596,441	571,906,481	571,906,481
One year later	1,036,275,943	109,048,762	218,679,449	212,549,612	614,650,320	-	614,650,320
Two years later	1,614,530,830	101,084,360	193,979,220	327,502,575	-	-	327,502,575
Three years later	1,959,163,068	93,194,437	287,261,193	-	-	-	287,261,193
Four years later	1,950,605,856	218,251,440	-	-	-	-	218,251,440
Five years later	2,815,779,777	-	-	-	-	-	2,815,779,777
Current estimate of cumulative claims	2,815,779,777	218,251,440	287,261,193	327,502,575	614,650,320	571,906,481	4,835,351,786
Cumulative payments to date	(2,807,292,650)	(214,378,392)	(282,749,241)	(318,115,489)	(569,326,090)	(344,327,525)	(4,536,189,387)
Liability recognised in statement of financial position	8,487,127	3,873,048	4,511,952	9,387,086	45,324,230	227,578,956	299,162,399
Salvage and subrogation							(23,521,925)
Additional premium reserves							11,295,391
Other technical reserves							11,211,593
Outstanding claims and reserves							298,147,458

28. Risk management (continued)

28.7 Claims development (continued)

Claims development table net of reinsurance:

Accident year **Estimate of ultimate claims as at December 31, 2021:**	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	668,003,070	124,678,068	111,629,600	312,428,907	504,828,898	549,949,231	549,949,231
One year later	1,069,777,592	124,642,361	118,514,302	487,046,104	509,542,555	-	509,542,555
Two years later	1,063,503,093	115,879,647	235,166,896	468,339,235	-	-	468,339,235
Three years later	1,056,306,725	209,964,590	230,920,345	-	-	-	230,920,345
Four years later	2,019,225,810	207,498,381	-	-	-	-	207,498,381
Five years later	2,063,501,267	-	-	-	-	-	2,063,501,267
Current estimate of cumulative claims	2,063,501,267	207,498,381	230,920,345	468,339,235	509,542,555	549,949,231	4,029,751,014
Cumulative payments to date	(2,050,910,423)	(204,916,061)	(226,922,740)	(460,047,410)	(479,866,046)	(351,314,223)	(3,773,976,903)
Liability recognised in statement of financial position	12,590,844	2,582,320	3,997,605	8,291,825	29,676,509	198,635,008	255,774,111
Salvage and subrogation							(30,607,770)
Additional premium reserves							22,019,563
Other technical reserves							17,984,038
Outstanding claims and reserves							265,169,942

28. Risk management (continued)

28.7 Claims development (continued)

Claims development table net of reinsurance:

Accident year **Estimate of ultimate claims as at December 31, 2020:**	**2015 & earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At the end of accident year	617,717,306	67,087,167	124,678,068	111,629,600	312,428,907	504,828,898	504,828,898
One year later	600,915,903	57,685,438	124,642,361	118,514,302	487,046,104	-	487,046,104
Two years later	1,012,092,154	56,802,356	115,879,647	235,166,893	-	-	235,166,893
Three years later	1,006,700,737	54,735,854	209,964,590	-	-	-	209,964,590
Four years later	1,001,570,871	178,678,700	-	-	-	-	178,678,700
Five years later	1,840,547,110	-	-	-	-	-	1,840,547,110
Current estimate of cumulative claims	1,840,547,110	178,678,700	209,964,590	235,166,893	487,046,104	504,828,898	3,456,232,295
Cumulative payments to date	(1,835,785,101)	(175,520,115)	(206,028,808)	(228,852,554)	(463,713,834)	(317,846,547)	(3,227,746,959)
Liability recognised in statement of financial position	4,762,009	3,158,585	3,935,782	6,314,339	23,332,270	186,982,351	228,485,336
Salvage and subrogation							(21,396,960)
Additional premium reserves							11,295,391
Other technical reserves							11,211,593
Outstanding claims and reserves							229,595,360

28. Risk management (continued)

28.8 Capital management risk

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement
- Premium solvency margin; or
- Claims solvency margin

As at December 31, 2021 the Company's solvency margin level is less than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law, and the Company is taking measures to make up the deficiency.

Also see Note 1.

29. Supplementary information

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

STATEMENT OF FINANCIAL POSITION

	December 31, 2021			December 31, 2020 (Revised)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	**40,666,697**	**74,315,396**	**114,982,093**	67,852,194	111,655,835	179,508,029
Short-term deposits		-		86,516,962	40,053,779	126,570,741
Premiums and reinsurers' receivable - net	**161,223,340**	-	**161,223,340**	206,568,729	-	206,568,729
Premiums receivable - related parties - net	**4,452,622**	-	**4,452,622**	8,311,277	-	8,311,277
Reinsurers' share of unearned premiums	**44,001,521**	-	**44,001,521**	36,474,798	-	36,474,798
Reinsurers' share of outstanding claims	**34,230,197**	-	**34,230,197**	48,489,107	-	48,489,107
Reinsurers' share of claims incurred but not reported	**21,446,416**	-	**21,446,416**	20,062,991	-	20,062,991
Deferred policy acquisition costs	**17,232,872**	-	**17,232,872**	29,474,599	-	29,474,599
Investments	**139,811,054**	**137,955,578**	**277,766,632**	114,189,967	142,869,247	257,059,214
Prepaid expenses and other assets	**41,968,172**	**3,744,992**	**45,713,164**	26,355,272	4,466,093	30,821,365
Long-term deposits	-	**40,032,877**	**40,032,877**	-	-	-
Property and equipment	**8,854,908**	-	**8,854,908**	10,770,393	-	10,770,393
Right-of-use assets	**7,584,087**	-	**7,584,087**	9,278,773	-	9,278,773
Intangible assets	**43,378,547**	-	**43,378,547**	48,195,745	-	48,195,745
Goodwill	-	**67,697,750**	**67,697,750**	-	67,697,750	67,697,750
Statutory deposit	-	**34,421,196**	**34,421,196**	-	52,871,196	52,871,196
Accrued income on statutory deposit	-	**7,738,807**	**7,738,807**	-	7,562,956	7,562,956
Due from shareholders' operations	**207,825,300**	-	**207,825,300**	130,215,034	-	130,215,034
TOTAL ASSETS	**772,675,733**	**365,906,596**	**1,138,582,329**	842,755,841	427,176,856	1,269,932,697
Less: inter-operations elimination	**(207,825,300)**	-	**(207,825,300)**	(130,215,034)	-	(130,215,034)
TOTAL ASSETS	**564,850,433**	**365,906,596**	**930,757,029**	712,540,807	427,176,856	1,139,717,663

(continued)

29. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2021			December 31, 2020 (Revised)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Accounts payable	**117,346,288**	**-**	**117,346,288**	72,108,216	-	72,108,216
Accrued and other liabilities	**14,148,035**	**352,460**	**14,500,495**	27,125,666	779,764	27,905,430
Reinsurers balances payable	**14,478,470**	**-**	**14,478,470**	15,379,852	-	15,379,852
Unearned premiums	**255,996,173**	**-**	**255,996,173**	375,588,801	-	375,588,801
Unearned reinsurance commission	**10,342,959**	**-**	**10,342,959**	8,825,885	-	8,825,885
Outstanding claims	**93,994,985**	**-**	**93,994,985**	104,742,560	-	104,742,560
Claims incurred but not reported	**186,847,969**	**-**	**186,847,969**	170,897,914	-	170,897,914
Additional premium reserves	**22,019,563**	**-**	**22,019,563**	11,295,391	-	11,295,391
Other technical reserves	**17,984,038**	**-**	**17,984,038**	11,211,593	-	11,211,593
Lease liabilities	**6,732,810**	**-**	**6,732,810**	7,500,772	-	7,500,772
Employee benefit obligations	**16,927,680**	**-**	**16,927,680**	20,659,103	-	20,659,103
Zakat and income tax	**-**	**20,072,948**	**20,072,948**	-	19,958,958	19,958,958
Surplus distribution payable	**13,748,722**	**-**	**13,748,722**	13,748,722	-	13,748,722
Accrued income payable to SAMA	**-**	**7,738,807**	**7,738,807**	-	7,562,956	7,562,956
Due to insurance operations	**-**	**207,825,300**	**207,825,300**	-	130,215,034	130,215,034
TOTAL LIABILITIES	**770,567,692**	**235,989,515**	**1,006,557,207**	839,084,475	158,516,712	997,601,187
Less: inter-operations elimination	**-**	**(207,825,300)**	**(207,825,300)**	-	(130,215,034)	(130,215,034)
TOTAL LIABILITIES	**770,567,692**	**28,164,215**	**798,731,907**	839,084,475	28,301,678	867,386,153

(continued)

29. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2021			**December 31, 2020 (Revised)**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
EQUITY						
Share capital	**-**	**229,474,640**	**229,474,640**	-	229,474,640	229,474,640
Share premium	**-**	**-**	**-**	-	89,488,445	89,488,445
Statutory reserve	**-**	**4,885,691**	**4,885,691**	-	4,885,691	4,885,691
Accumulated losses	**-**	**(111,242,809)**	**(111,242,809)**	-	(59,541,995)	(59,541,995)
Remeasurement reserve of employee benefit obligations	**(168,351)**	**-**	**(168,351)**	(2,203,061)	-	(2,203,061)
Fair value reserve on investments	**2,276,392**	**6,799,559**	**9,075,951**	5,874,427	4,353,363	10,227,790
TOTAL EQUITY	**2,108,041**	**129,917,081**	**132,025,122**	3,671,366	268,660,144	272,331,510
TOTAL LIABILITIES AND EQUITY	**772,675,733**	**158,081,296**	**930,757,029**	842,755,841	296,961,822	1,139,717,663

29. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
REVENUES						
Gross premiums written	**572,523,050**	-	**572,523,050**	557,123,448	-	557,123,448
Reinsurance premiums ceded:						
- Foreign	**(95,031,930)**	-	**(95,031,930)**	(74,022,314)	-	(74,022,314)
- Local	**(12,326,543)**	-	**(12,326,543)**	(11,768,967)	-	(11,768,967)
Excess of loss premiums:						
- Foreign	**(20,873,767)**	-	**(20,873,767)**	(18,324,130)	-	(18,324,130)
- Local	**(1,577,658)**	-	**(1,577,658)**	(541,159)	-	(541,159)
Net premiums written	**442,713,152**		**442,713,152**	452,466,878	-	452,466,878
Changes in unearned premiums	**119,592,628**	-	**119,592,628**	(10,100,450)	-	(10,100,450)
Changes in reinsurers' share of unearned premiums	**7,526,723**	-	**7,526,723**	(7,482,291)	-	(7,482,291)
Net premiums earned	**569,832,503**	-	**569,832,503**	434,884,137	-	434,884,137
Reinsurance commissions	**24,156,018**	-	**24,156,018**	24,321,796	-	24,321,796
Fee income from insurance	**408,443**	-	**408,443**	223,292	-	223,292
Total revenues	**594,396,964**	-	**594,396,964**	459,429,225	-	459,429,225
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(623,680,031)**	-	**(623,680,031)**	(400,562,089)	-	(400,562,089)
Reinsurers' share of gross claims paid	**89,703,315**	-	**89,703,315**	60,988,058	-	60,988,058
Expenses incurred related to claims	**(12,253,228)**	-	**(12,253,228)**	(5,894,252)	-	(5,894,252)
Net claims and other benefits paid	**(546,229,944)**	-	**(546,229,944)**	(345,468,283)	-	(345,468,283)
Changes in outstanding claims	**10,747,575**	-	**10,747,575**	7,135,094	-	7,135,094
Changes in reinsurers' share of outstanding claims	**(14,258,910)**	-	**(14,258,910)**	5,785,459	-	5,785,459
Changes in claims incurred but not reported	**(15,950,055)**	-	**(15,950,055)**	(32,845,218)	-	(32,845,218)
Changes in reinsurers' share of claims incurred but not reported	**1,383,425**	-	**1,383,425**	(4,754,324)	-	(4,754,324)
Net claims and other benefits incurred	**(564,307,909)**	-	**(564,307,909)**	(370,147,272)	-	(370,147,272)

(continued)

29. Supplementary information (continued)

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

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Policy acquisition costs	**(52,413,225)**	**-**	**(52,413,225)**	(41,894,747)	-	(41,894,747)
Changes in additional premium reserves	**(10,724,172)**	**-**	**(10,724,172)**	8,445,579	-	8,445,579
Changes in other technical reserves	**(6,772,445)**	**-**	**(6,772,445)**	(4,014,927)	-	(4,014,927)
Other underwriting expenses	**(7,930,297)**	**-**	**(7,930,297)**	(2,795,926)	-	(2,795,926)
Total underwriting costs and expenses, net	**(642,148,048)**	**-**	**(642,148,048)**	(410,407,293)	-	(410,407,293)
NET UNDERWRITING (EXPENSES) INCOME	**(47,751,084)**	**-**	**(47,751,084)**	49,021,932	-	49,021,932
OTHER OPERATING (EXPENSES) INCOME						
Allowance for doubtful debts	**(2,627,528)**	**-**	**(2,627,528)**	(8,952,215)	-	(8,952,215)
General and administrative expenses	**(110,301,860)**	**(3,287,141)**	**(113,589,001)**	(97,246,197)	(4,407,139)	(101,653,336)
Investment and commission income	**6,518,482**	**11,236,759**	**17,755,241**	7,650,197	4,622,832	12,273,029
Finance costs	**(624,886)**	**-**	**(624,886)**	(675,141)	-	(675,141)
Other income	**7,647,999**	**-**	**7,647,999**	10,621,610	-	10,621,610
Total other operating (expenses) income, net	**(99,387,793)**	**7,949,618**	**(91,438,175)**	(88,601,746)	215,693	(88,386,053)
Total (loss) income for the year before surplus attribution, zakat and income tax	**(147,138,877)**	**7,949,618**	**(139,189,259)**	(39,579,814)	215,693	(39,364,121)
Zakat expense	**-**	**(2,000,000)**	**(2,000,000)**	-	(6,212,972)	(6,212,972)
Income tax expense	**-**	**-**	**-**	-	-	-
Total (loss) income for the year attributable to the shareholders	**(147,138,877)**	**5,949,618**	**(141,189,259)**	(39,579,814)	(5,997,279)	(45,577,093)

(continued)

29. Supplementary information (continued)

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

	2021			2020		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Deficit transferred to the shareholders' operations	**-**	**(147,138,877)**	**(141,189,259)**	-	(39,579,814)	(39,579,814)
Total loss for the year after transfer of deficit	**-**	**(141,189,259)**	**(141,189,259)**	-	(45,577,093)	(45,577,093)
Weighted average number of outstanding shares		**22,947,464**			15,566,121	
Losses per share (expressed in Saudi Riyals per share)						
Basic losses per share		**(6.15)**			(2.93)	
Diluted losses per share		**(6.15)**			(2.93)	

29. Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Total loss for the year attributable to the shareholders	-	**(141,189,259)**	**(141,189,259)**	-	(45,577,093)	(45,577,093)
Other comprehensive income:						
Items that will not be reclassified to the statement of income in subsequent years						
Re-measurement gain on employee benefit obligations	**2,034,710**	-	**2,034,710**	902,399		902,399
Items that will be reclassified to statement of income in subsequent years						
Realised gain reclassified to statement of income	-	**(140,129)**	**(140,129)**	(1,264,888)	(39,457)	(1,304,345)
Net change in fair value of available-for-sale investments	**(3,598,035)**	**2,586,325**	**(1,011,710)**	4,796,623	48,148	4,844,771
Total other comprehensive (loss) income	**(1,563,325)**	**2,446,196**	**882,871**	4,434,134	8,691	4,442,825
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(1,563,325)**	**(138,743,063)**	**(140,306,388)**	4,434,134	(45,568,402)	(41,134,268)

29. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES						
Total loss for the year before surplus attribution, zakat and income tax	**-**	**(139,189,259)**	**(139,189,259)**	-	(39,364,121)	(39,364,121)
Adjustments for non-cash items:						
Depreciation of property and equipment	**2,903,594**	**-**	**2,903,594**	1,392,991	-	1,392,991
Amortisation of intangible assets	**8,587,426**	**-**	**8,587,426**	1,908,012	-	1,908,012
Depreciation for right-of-use assets	**1,839,203**	**-**	**1,839,203**	1,116,214	-	1,116,214
Finance costs	**624,886**	**-**	**624,886**	675,141	-	675,141
Investment and commission income	**(6,518,482)**	**(11,096,630)**	**(17,615,112)**	(6,385,309)	(4,676,213)	(11,061,522)
Allowance for doubtful debts	**2,627,528**	**-**	**2,627,528**	8,952,215	-	8,952,215
Provision for employee benefit obligations	**2,882,796**	**-**	**2,882,796**	2,012,810	-	2,012,810
(Gain) loss on termination of lease liability	**(112,288)**	**-**	**(112,288)**	772	-	772
Realised (gain) loss on disposal of available-for-sale investments	**-**	**(140,129)**	**(140,129)**	(1,264,888)	53,381	(1,211,507)

(continued)

29. Supplementary information (continued)

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

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**42,717,861**	**-**	**42,717,861**	12,741,313	-	12,741,313
Premium receivables - related parties	**3,858,655**	**-**	**3,858,655**	1,506,068	-	1,506,068
Reinsurers' share of unearned premiums	**(7,526,723)**	**-**	**(7,526,723)**	7,482,291	-	7,482,291
Reinsurers' share of outstanding claims	**14,258,910**	**-**	**14,258,910**	(5,785,459)	-	(5,785,459)
Reinsurers' share of claims incurred but not reported	**(1,383,425)**	**-**	**(1,383,425)**	4,754,324	-	4,754,324
Deferred policy acquisition costs	**12,241,727**	**-**	**12,241,727**	(2,388,883)	-	(2,388,883)
Prepaid expenses and other assets	**(19,954,880)**	**6,292,846**	**(13,662,034)**	3,770,269	737,147	4,507,416
Accounts payable	**45,238,072**	**-**	**45,238,072**	6,341,847	-	6,341,847
Accrued and other liabilities	**(12,977,631)**	**(427,304)**	**(13,404,935)**	(5,452,003)	104,938	(5,347,065)
Reinsurers' balances payable	**(901,382)**	**-**	**(901,382)**	7,521,114	-	7,521,114
Unearned premiums	**(119,592,628)**	**-**	**(119,592,628)**	10,100,450	-	10,100,450
Unearned reinsurance commission	**1,517,074**	**-**	**1,517,074**	(1,938,258)	-	(1,938,258)
Outstanding claims	**(10,747,575)**	**-**	**(10,747,575)**	(7,135,094)	-	(7,135,094)
Claims incurred but not reported	**15,950,055**	**-**	**15,950,055**	32,845,218	-	32,845,218
Additional premium reserves	**10,724,172**	**-**	**10,724,172**	(8,445,579)	-	(8,445,579)
Other technical reserves	**6,772,445**	**-**	**6,772,445**	4,014,927	-	4,014,927
Employee benefit obligations paid	**(4,928,836)**	**-**	**(4,928,836)**	(3,053,109)	-	(3,053,109)
Zakat paid	**-**	**(1,886,010)**	**(1,886,010)**	-	(4,645,002)	(4,645,002)
Net cash (used in) generated from operating activities	**(11,899,446)**	**(146,446,486)**	**(158,345,932)**	65,287,394	(47,789,870)	17,497,524

(continued)

29. Supplementary information (continued)

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

	2021			**2020**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in short-term deposits	**-**	**-**	**-**	(209,033,459)	(8,456,250)	(217,489,709)
Liquidation of short-term deposits	**86,516,962**	**40,053,779**	**126,570,741**	215,464,574	9,844,520	225,309,094
Placement in long-term deposit		**(40,032,877)**	**(40,032,877)**	-	-	-
Liquidation of long-term deposits	**-**	**-**	**-**	20,159,854	-	20,159,854
Cash and cash equivalents acquired through business combination	**-**	**-**	**-**	37,769,327	109,589,862	147,359,189
Purchase of available-for-sale investments	**(19,288,091)**	**(10,000,000)**	**(29,288,091)**	(75,291,548)	(15,436,583)	(90,728,131)
Purchase of held-to-maturity investments	**(9,931,031)**	**-**	**(9,931,031)**	(5,000,000)	-	(5,000,000)
Proceeds from disposal of available-for-sale investments	**-**	**10,000,000**	**10,000,000**	5,325,983	7,312,500	12,638,483
Redemption /Proceeds from disposal of held-to-maturity investments	**-**	**7,499,994**	**7,499,994**	3,541,665	7,750,000	11,291,665
Investment and commission income received	**5,310,462**	**11,074,885**	**16,385,347**	1,510,364	4,916,461	6,426,825
Payments for purchases of property and equipment	**(988,109)**		**(988,109)**	(2,276,995)	-	(2,276,995)
Addition to intangible assets	**(3,770,228)**	**-**	**(3,770,228)**	(3,870,327)	-	(3,870,327)
Liquidation (addition) to statutory deposit - net	**-**	**18,450,000**	**18,450,000**	-	(6,371,196)	(6,371,196)
Net cash generated from (used in) investing activities	**57,849,965**	**37,045,781**	**94,895,746**	(11,700,562)	109,149,314	97,448,752

(continued)

29. Supplementary information (continued)

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

	2021			2020		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal elements of lease payments	**(1,023,355)**	**-**	**(1,023,355)**	(2,244,614)	-	(2,244,614)
Finance cost paid	**(52,395)**	**-**	**(52,395)**	(56,386)	-	(56,386)
Due to insurance operations	**(72,060,266)**	**72,060,266**	**-**	(47,828,016)	47,828,016	-
Net cash (used in) generated from financing activities	**(73,136,016)**	**72,060,266**	**(1,075,750)**	(50,129,016)	47,828,016	(2,301,000)
Net change in cash and cash equivalents	**(27,185,497)**	**(37,340,439)**	**(64,525,936)**	3,457,816	109,187,460	112,645,276
Cash and cash equivalents, beginning of the year	**67,852,194**	**111,655,835**	**179,508,029**	64,394,378	2,468,375	66,862,753
Cash and cash equivalents at end of the year	**40,666,697**	**74,315,396**	**114,982,093**	67,852,194	111,655,835	179,508,029
Supplemental non-cash information:						
Net change in fair value reserve for available-for-sale investments	**(3,598,035)**	**2,446,196**	**(1,151,839)**	3,531,735	48,148	3,579,883
Re-measurement gain on employee benefit obligations	**(2,034,710)**	**-**	**(2,034,710)**	(902,399)	-	(902,399)
Business combination (Note 4)						
Right-of-use assets and lease liabilities (Note 17)						

30. Accrued and other liabilities

	2021	2020
Accrued expenses	**3,294,659**	12,470,668
Withholding tax payable	**8,057,515**	7,222,979
Accrued supervision fee	**2,856,180**	7,014,715
Accrued employee benefits	**292,141**	1,197,068
	14,500,495	27,905,430

31. Statutory deposit

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

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

32. Subsequent event

Subsequent to the reporting date, the Company received CMA's approval to increase the share capital through rights issue (see Note 1). No other events have arisen subsequent to December 31, 2021 and before the date of signing the independent auditors' audit report, that could have a significant effect on the financial statements as at December 31, 2021.

33. Commitments and contingencies

i) As at December 31, 2021, the Company has capital commitments amounting to Saudi Riyals 1.8 million pertaining to the implementation of new software have any capital commitments (2020: Nil).

ii) See Note 21 for contingencies pertaining to zakat and income tax assessments.

ii) The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings. The Company, based on in-house legal advice, does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

34. Approval of the financial statements

The financial statements have been authorized for issue by the Board of Directors on March 20, 2022 (corresponding to Shaban 17, 1443H).