MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2022

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INDEPENDENT AUDITORS' REPORT
To the Shareholders Of
MALATH COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Malath Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 28, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

<table>
<tr><th colspan="2">Valuation of insurance contract liabilities</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2022, the gross outstanding claims including claims incurred but not reported (IBNR) and other technical reserves amounted to SR 327.82 million (2021: SR 302 million) as reported in Note 7 of the financial statements.

The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs.

The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims.

We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates.

Refer to Note 2(d)(i) to the financial statements which explains significant accounting policies, the valuation methodology used by the Company and critical judgments and estimates.</td><td>We performed the following procedures:

- Understood, evaluated and tested key controls around the claims handling and provision setting processes.
- Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence.
- Performed substantive tests on the amounts recorded for sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.
- Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.
- Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following:

i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences;

ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and

iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

- Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</td></tr>
</table>

Independent Auditors' Report (Continued)

Other information

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

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

Independent Auditors' Report (Continued)

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

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

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

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

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

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

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

PKF Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants

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

Independent Auditors' Report (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 year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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29 March 2023
07 Ramadan 1444

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

(All amounts in thaousands Saudi Riyals unless otherwise stated)

	Notes	As at 31 December 2022	2021
ASSETS			
Cash and cash equivalents	4	**342,270**	479,381
Murabaha deposits	5	**155,126**	129,113
Premiums and reinsurers' receivable - net	6	**246,395**	218,884
Reinsurers' share of unearned premiums	7b	**20,683**	14,487
Reinsurers' share of outstanding claims	7a	**130,493**	90,130
Reinsurers' share of claims incurred but not reported	7a	**9,197**	20,802
Deferred policy acquisition costs	7d	**29,434**	25,618
Deferred excess of loss premiums		**92**	83
Available-for-sale investments	8	**158,533**	161,626
Investments held to maturity	9	**22,699**	19,724
Prepayments and other assets	10	**167,301**	104,857
Property and equipment	13	**4,114**	4,846
Statutory deposit	18	**75,000**	75,000
Accrued return on statutory deposit		**10,778**	10,167
TOTAL ASSETS		**1,372,115**	1,354,718
LIABILITIES			
Policyholders claims payable		**72,305**	81,913
Accrued expenses and other liabilities	11	**118,429**	94,763
Reinsurance balances payable		**38,973**	25,809
Unearned premiums	7b	**420,888**	427,085
Unearned reinsurance commission	7c	**4,686**	3,488
Outstanding claims	7a	**75,520**	59,549
Claims incurred but not reported (IBNR)	7a	**243,285**	209,110
Additional premium reserve	7a	**4,985**	28,412
Other technical reserves	7a	**4,028**	4,432
Employees' end-of-service benefits	12	**17,149**	20,154
Accumulated surplus		**1,008**	1,008
Provision for zakat	14	**23,631**	17,252
Accrued return on statutory deposit payable to SAMA		**10,778**	10,167
TOTAL LIABILITIES		**1,035,665**	983,142
EQUITY			
Share capital	15	**500,000**	500,000
Statutory reserve	17	**2,131**	2,131
Accumulated losses		**(148,723)**	(120,408)
Fair value reserve for available-for-sale investments		**(7,513)**	529
Re-measurement reserve of end of service benefit obligation		**(9,445)**	(10,676)
TOTAL EQUITY		**336,450**	371,576
TOTAL LIABILITIES AND EQUITY		**1,372,115**	1,354,718

CHIEF FINANCIAL OFFICER **CHIEF EXECUTIVE OFFICER** **CHAIRMAN**

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
(All amounts in thaousands Saudi Riyals unless otherwise stated)

	Notes	For the year ended 31 December 2022	2021
REVENUES			
Gross premiums written	7b	**944,376**	942,107
Reinsurance premiums ceded			
- Local		**(9,055)**	(4,823)
- International (includes premium ceded through local broker)		**(61,512)**	(45,640)
		(70,567)	(50,463)
Excess of loss expenses		**(16,130)**	(14,257)
Net premiums written		**857,679**	877,387
Movement in unearned premiums, net		**12,393**	(98,675)
Net premiums earned	7b	**870,072**	778,712
Reinsurance commissions	7c	**13,768**	8,322
Other underwriting income		**21,297**	1,016
TOTAL REVENUES		**905,137**	788,050
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(760,989)**	(733,914)
Reinsurers' share of claims paid		**13,052**	16,848
Net claims paid		**(747,937)**	(717,066)
Movement in outstanding claims, net		**24,392**	30,310
Movement in claims incurred but not reported, net		**(45,780)**	(10,949)
Movement in additional premium reserve		**23,427**	11,225
Movement in other technical reserves		**404**	(768)
Net claims incurred		**(745,494)**	(687,248)
Policy acquisition costs	7d	**(71,538)**	(65,830)
Other underwriting expenses		**(26,835)**	(21,003)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(843,867)**	(774,081)
NET UNDERWRITING INCOME		**61,270**	13,969
OTHER INCOME / (EXPENSES)			
Provision for doubtful debts	6	**(481)**	(7,046)
Salaries and staff related costs	19	**(82,502)**	(75,150)
Other general and administrative expenses	20	**(51,115)**	(45,546)
Investment income		**37,542**	30,394
Share of profit from investment in associate		**12,569**	-
Other income		**4,690**	10,529
TOTAL OTHER EXPENSES		**(79,297)**	(86,819)
Net loss before zakat for the year		**(18,027)**	(72,850)
Zakat expense for the year		**(10,288)**	(12,810)
Net loss attributable to shareholders		**(28,315)**	(85,660)
Basic and diluted loss per share	16	**(0.57)**	(1.71)

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER **CHAIRMAN**

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thaousands Saudi Riyals unless otherwise stated)

	For the year ended 31 December	
	2022	2021
Net loss for the year attributable to shareholders	**(28,315)**	(85,660)
Other comprehensive income:		
Items that may be reclassified to statements of income in subsequent periods		
-Change in fair value of available-for-sale investments, net	**(8,042)**	(144)
Items that will not be reclassified to statements of income in subsequent years		
-Re-measurement gain / (loss) on end of service benefits	**1,803**	(3,080)
-Re-measurement loss on end of service benefits from investment in associate	**(572)**	-
Total comprehensive loss for the year attributable to shareholders	**(35,126)**	(88,884)
Net income attributable to insurance operations	-	-
Other comprehensive income attributable to insurance operations	-	-
Total comprehensive income attributable to insurance operations	-	-
Total comprehensive loss for the year	**(35,126)**	(88,884)

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(All amounts in thaousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for available-for-sale investments	Re-measurement reserve of employees' end-of-service benefits	Total equity
Balance at 01 January 2022	**500,000**	**2,131**	**(120,408)**	**529**	**(10,676)**	**371,576**
Net loss for the period	**-**	**-**	**(28,315)**	**-**	**-**	**(28,315)**
Unrealized loss on available-for-sale investments, net	**-**	**-**	**-**	**(8,042)**	**-**	**(8,042)**
Re-measurement gain on end of service benefits	**-**	**-**	**-**	**-**	**1,803**	**1,803**
Re-measurement loss on end of service benefits from investment in associate	**-**	**-**	**-**	**-**	**(572)**	**(572)**
Total comprehensive loss	**-**	**-**	**(28,315)**	**(8,042)**	**1,231**	**(35,126)**
Balance at 31 December 2022	**500,000**	**2,131**	**(148,723)**	**(7,513)**	**(9,445)**	**336,450**
Balance at 01 January 2021	500,000	2,131	(34,748)	673	(7,596)	460,460
Net loss for the period	-	-	(85,660)	-	-	(85,660)
Unrealized loss on available-for-sale investments, net	-	-	-	(144)	-	(144)
Re-measurement loss on end of service benefits	-	-	-	-	(3,080)	(3,080)
Re-measurement loss on end of service benefits from investment in associate	-	-	-	-	-	-
Total comprehensive loss	-	-	(85,660)	(144)	(3,080)	(88,884)
Balance at 31 December 2021	500,000	2,131	(120,408)	529	(10,676)	371,576

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN

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

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
(All amounts in thaousands Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year before zakat		**(18,027)**	(72,850)
Adjustments for non-cash items:			
Depreciation of property and equipment	13	**1,950**	1,954
Gain on disposal of available-for-sale investment		**(12,698)**	(2,912)
Provision for employees' end-of-service benefits	12	**3,075**	3,327
Share of profit from investment in associate		**(12,569)**	-
Reversal of zakat provision	14	**-**	(5,855)
Provision for doubtful debts	6	**481**	7,046
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(27,992)**	(25,706)
Reinsurers' share of unearned premiums		**(6,196)**	2,564
Reinsurers' share of outstanding claims		**(40,363)**	4,495
Reinsurers' share of claims incurred but not reported		**11,605**	(272)
Deferred policy acquisition costs		**(3,816)**	(5,501)
Deferred excess of loss premiums		**(9)**	(2,492)
Prepayments and other assets		**(62,444)**	(78,068)
Policyholders claims payable		**(9,608)**	26,958
Accrued expenses and other liabilities		**23,668**	25,845
Reinsurance balances payable		**13,164**	18,969
Unearned premiums		**(6,197)**	96,111
Unearned reinsurance commission		**1,198**	(513)
Outstanding claims		**15,971**	(34,804)
Claims incurred but not reported		**34,175**	11,221
Additional premium reserve		**(23,427)**	(11,225)
Other technical reserves		**(404)**	768
Accumulated surplus		**-**	(4,658)
Cash used in operations		**(118,463)**	(45,598)
Zakat paid	14	**(3,909)**	(10,077)
Employees' end-of-service benefits paid	12	**(4,277)**	(4,462)
Net cash used in operating activities		**(126,649)**	(60,137)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (placements) / maturity of Murabaha deposits		**(26,013)**	36,171
Proceeds from sale of available-for-sale investments		**82,629**	29,551
Additions of property and equipment	13	**(1,219)**	(4,699)
Additions to investment held to maturity	9	**(4,855)**	(9,724)
Proceeds from matured investments held to maturity	9	**1,880**	-
Additions to available-for-sale investments	8	**(62,884)**	(71,851)
Net cash used in investing activities		**(10,462)**	(20,552)
Net change in cash and cash equivalents		**(137,111)**	(80,689)
Cash and cash equivalents at the beginning of the year	4	**479,381**	560,070
Cash and cash equivalents at the end of the year	4	**342,270**	479,381
Supplemental non-cash information:			
Change in fair value of available-for-sale investments		**(8,042)**	(144)
Return on statutory deposit		**611**	472
Remeasurement gain / (loss) on end of service benefit obligation		**1,803**	(3,080)

CHIEF FINANCIAL OFFICER   CHIEF EXECUTIVE OFFICER   CHAIRMAN

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Malath Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company's head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia (KSA).

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

Statement of compliance

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

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

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 26). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 26 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

2 BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

i) The ultimate liability arising from claims made under insurance contracts

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

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of interim condensed statement of financial position, for which the insured event has occurred prior to the date of interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of available-for-sale investments

The Company determines that investments are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2 BASIS OF PREPARATION (continued)

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

iii) Impairment of receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms (Refer note 6).

iv) Fair value of financial instruments

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

v) Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment.

vi) Additional deficiency reserve

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

vii) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Judgment is required, particularly where the Company owns shareholding and voting rights and existence of significant indulgence by evidence in one or more of the following ways :

(a) representation on the board of directors or equivalent governing body of the investee;
(b) participation in policy-making processes.
(c) material transactions between the entity and its investee;
(d) interchange of managerial personnel; or
(e) provision of essential technical information

3 SIGNIFICANT ACCOUNTING POLICIES

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

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

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

IFRS 17 Insurance Contracts

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

Structure and status of the Implementation project

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the fiscal year of 20, 21 and June 2022 data to SAMA.

Significant Judgements and Accounting Policy Choices

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

a) Contracts within/outside the scope of IFRS 17

The Company has determined that all contracts currently classified as insurance contracts under IFRS 4 meet the definition of insurance contracts under IFRS 17, i.e. that there exist circumstances where the outgo under the contract would significantly exceed the premium income. This was deduced by the fact that the sums insured under all contracts significantly exceed the premium income charged on those contracts. No contracts were found that met the requirement of investment contracts with direct participation features.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

b) Level of Aggregation

Portfolios will be split by sub line of business.

This grouping meets the portfolio requirement of "similar risks" due to the following:

• Sub lines of business are grouped based on the risks covered under the contracts; and
• Contracts written within particular sub lines of business will cover similar perils and thus risks.

Furthermore, the portfolio requirement of "management together" is met as:

• Each line of business is generally underwritten and monitored separately, with separate underwriter for each main line of business; and
• The current actuarial valuation is done at a sub-line of business level, with these more granular results provided for internal management reporting.

c) Significant Judgments and Estimates

Measurement model

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

After transition, eligibility testing would only be re-performed for the profitability groups within any newly introduced IFRS 17 portfolios, or if any of the trigger conditions occur impacting the groups within pre-existing IFRS 17 portfolios (i.e. where the qualitative assessment fails). The GM measurement model will be applied for inherent defect insurance policies.

Eligibility testing broadly involves calculating the difference between the LFRC under the PAA and the liability for remaining coverage under the general model (including the contract service margin) at initial recognition and subsequent measurement at the external reporting frequency.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

Initial and subsequent measurement

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

a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

There are no investment components within insurance contracts issued by the company.

LIC

The Company has adjusted the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows.

Discount rates are derived using a bottom up approach utilizing the EIOPA (European insurance and occupational pension authority) rate as the risk free rate, adjusted for country risk and illiquidity.

Discounting is applied on liability for incurred claims components within the business sub-lines considering the duration of payment (whether direct or reinsurance) of claims can exceed a one year period.

The company presents the entire change in risk adjustment as part of insurance service results.

Risk Adjustment

The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts. The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

Onerous contract

The company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. When classifying whether an insurance contract is onerous, an initial assessment of the expected loss ratio on each contract is performed. Fulfilment cash flows in respect of all lines/sub lines are analyzed, then be assessed for onerosity using a combined ratio rule.

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

Insurance service expenses

Insurance service expenses include the following:
a. incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows amortization.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Length of Cohorts

The Company will utilize quarterly cohorts for stated contracts / groups of contracts.

Expense Attribution

The Company has allocated expenses as follows:

- Attributable maintenance expenses: the Company has identified whether or not it is expected that such an expense is unavoidable due to entering the insurance contract. Where this is not obvious, the Company considered whether the activity resulting in the expense would continue if Malath were in run-off as expenses paid from activities still expected to take place in a run-off scenario would represent the cash flows required for the insurer to fulfil its obligations under such a contract.
- Attributable acquisition expenses: the Company has identified if the expense relates to acquiring new business in the immediate future, where for Company purposes, immediate future will refer to within the next quarter.
- Attributable reinsurance expenses: the Company has only allocated expenses from the reinsurance department and other relevant expenses specified in the contract to reinsurance contracts held. The attributable nature of these expenses will be assessed using the same principles as for insurance contracts.
- Non-attributable expenses: all remaining expenses.

Allocation for the expected and actual expense cash flows will be done using appropriate proxies, drivers and allocation keys as necessary.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

Insurance acquisition costs

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition cost is allocated to the relevant groups over the life of the contract, while acquisition cost that is not incurred is recognized as a deferred acquisition asset.

Policyholder Surplus

The transition to IFRS 17 will not impact the surplus balances previously recognized in the balance sheet. Considering recovery from policyholders on previously allocated surplus is not possible in the case of IFRS 17 income being lower than that of IFRS 4, a similar approach will be adopted in case the income under IFRS 17 is higher than that of IFRS 4. A liability account will be created in the balance sheet until regulatory guidance is available.

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

Presentation and Disclosure

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

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

Transition

Due to various operational and technical limitations, a level of uncertainty will be associated with the impact of transition along with the adequacy of adherence to the requirements of the standard. These issues include but are not limited to:

- Data limitations: Various sets of data historically were collected for IFRS 4 purposes, accordingly certain assumptions were made to incorporate out-of-system data into IFRS 17 calculations.
- IFRS 17 Solution: While various tests were performed to ensure the accuracy of figures generated by the IFRS 17 solution, the fact that this system is being used for the first set of financials creates a level of uncertainty.
- Use of judgments/assumptions: Several concepts in IFRS 17 rely on management judgements and the use of assumptions. Considering the guidelines do not define specifics for risk adjustment, discounting, and expense allocation, uncertainty will be present.
- Level of awareness: New concepts require time to be mastered by concerned personnel. Accordingly, there’s an element of risk associated with first time implementation of the standard.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

The Company is adopting IFRS 17 retrospectively, applying the full retrospective approach. The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date.

In addition, as all insurance contracts are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Company has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity. The Company will present comparative financial statements for 2022, with the beginning shareholders accounts showing the impact of the transition.

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

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January 2022
Impairment of receivables	"Decrease ranging from SR 10 million up to SR 18 million"
Loss Component	"Decrease ranging from SR 2.6 million up to SR 6.7 million"
Risk Adjustment	"Decrease ranging from SR 1.5 million up to SR 5.1 million"
Other drivers	"Increase ranging from SR 1.8 million up to SR 3.1 million"
RI Risk Adjustment	"Increase ranging from SR 0.1 million up to SR 0.25 million"
Total Impact on equity	"Decrease ranging from SR 12.2 million up to SR 26.5 million"

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Judgements and Accounting Policy Choices (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

b) Impact on Liabilities and Assets

	Impact on equity on transition to IFRS 17 on 1 January 2022
Liabilities	
Impairment of Premium receivables	"Increase ranging from SR 10 million up to SR 17.7 million"
Loss Component	"Increase ranging from SR 2.6 million up to SR 6.7 million"
Risk Adjustment	"Increase ranging from SR 1.5 million up to SR 5.1 million"
Other drivers	"Decrease ranging from SR 1.8 million up to SR 3.1 million"
Total Impact	"Increase ranging from SR 12.3 million up to SR 32.6 million"
Assets	
Impairment of RI recoverables	"Decrease ranging from SR 0.1 million up to SR 0.37 million"
RI Risk Adjustment	"Increase ranging from SR 0.1 million up to SR 0.25 million"
Total Impact	"Decrease up to SR 0.12 million"

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The effective date of implementation is January 1st, 2023, however for the sake of presenting comparative financial statements, transition impact will be reflected in the opening balance of 2022.

a) Financial assets - Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

• It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
• Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

• It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

b) Financial assets – Impairment

The Company recognizes loss allowances for expected credit losses (ECL) on:
– Financial assets measured at amortized cost;
– Debt investments measured at FVOCI; and
– Lease receivables (when applicable)

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognized is 12-month ECL:

• Debt securities that are determined to have low credit risk at the reporting date; and
• Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Financial instruments for which 12-month ECL are recognized are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognized because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

The credit ratings as at the reporting / calculation date or the origination date to be used in the ECL calculation are those issued by either S&P, Moody's or Fitch. ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

c) Financial Liabilities

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

• The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.
• The remaining amount of the change in the fair value will be presented in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

c) Financial Liabilities (continued)

The Company expects no impact from adopting the requirements above. The Company has designated investment contract liabilities as at FVTPL because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis.

d) Impact Assessment

The Company estimates that application of the IFRS 9 impairment requirements at January 1, 2023 and 2022 will result in additional loss allowances. The recognition of additional loss allowances on adoption of IFRS 9 mainly relates to debt investments measured at amortised cost and FVOCI, as well as the reclassification of certain assets to FVTPL. Additionally, credit losses resulting from the ECL model for bonds and term deposits exceeding three months in duration after the cutoff date will be recognized.

The Company estimates that the application of the IFRS 9 including reclassification and impairment requirements to these investments will result in a reduction to shareholder accounts as stated below.

e) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognized at January 1, 2023; however, the Company will elect to apply the classification overlay in IFRS 17 to financial assets derecognized in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

The following assessments have to be made on the basis of the facts and circumstances that exist at January 1, 2023:

- The determination of the business model within which a financial asset is held; - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

If a financial asset has low credit risk at January 1, 2023, then the Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

e) Transition (continued)

Estimated Change in the Company's equity due to initial application of IFRS 9:

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken, the company estimates that, on adoption of IFRS 9, the impact of these changes before zakat and tax is a reduction in the company's total equity ranging from SR 10 million up to SR 18 million at 1 January 2022. Reclassification of certain financial assets will result in the transfer of respective fair value reserves from OCI to accumulated losses with no impact on total equity. The transfer as at 1 January 2022 is expected to be an decrease in accumulated losses and OCI fair value reserve of SR 0.53 million respectively.

The results below are based on the outcome of a dry run, have not been subject to audit or review, and are hence subject to change:

Drivers of Changes in Equity	Impact on equity on transition to IFRS 9 on 1 January 2022
Impairment of financial assets	Decrease of SR 0.03 million

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

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

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS 9 will have a total impact on equity summarized as follow:

Transition To	**Impact on Equity January 1, 2022**
IFRS 17	**Decrease ranging from SR 10.2 million up to SR 26.5 million**
IFRS 9	**Decrease of SR 0.03 million**
Total Impact	**Decrease ranging from SR 12.2 million up to SR 26.5 million**

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity in which the Company has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the statement of income, as the case may be

At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

On derecognition the difference between the carrying amount of investment in the associate and the fair value of the consideration received is recognized in the statement of income.

Cash and cash equivalents

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

Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using effective interest method, less any impairment in value, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

Premiums and reinsurers' receivable - net

Receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "general and administrative expenses" in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivable balances are disclosed in note 6 fall under the scope of IFRS-4 "Insurance Contract".

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate as premiums are earned. Amortization is recorded in the statement of income, as policy acquisition costs.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of income. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

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

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly. Where the liability adequacy test requires the adoption of new best estimate’s assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and statement of comprehensive income. Realized gains or losses on sale of these investments are reported in the statement of income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income.

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

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. Where the fair value is not readily determinable, such investments are stated at cost less allowance for impairment in value, if any.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectability of financial assets (continued)

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

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and subsequent measurement

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of income and comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Fair values

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

For financial assets where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Leasehold improvements	5
Computer hardware	4
Computer software	10
Furniture and fixtures	10
Office equipment	4-5
Motor vehicle	

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income" in the statement of income.

Statutory deposit

The statutory deposit, which is equal to 15% of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

Accrued and other liabilities

Accrued and other liabilities are recognized for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end-of-service benefits

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

Short term employee benefits

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

Retirement benefits

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

Zakat and tax

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

Trade date accounting

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

Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Accumulated surplus

In accordance with the Implementing Regulations, the Company is required to distribute 10% of the net annual surplus from the insurance operations to the policyholders and remaining 90% of the surplus is transferred to the shareholders' operations. Any deficiency arising on insurance operations is transferred to the shareholders' operations in full. The distribution of 10% of annual surplus to policyholders are transferred to accumulated surplus which is shown in statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Recognition of premium and commission revenue

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

Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

- Marine - Last three months premium at a reporting date is considered as unearned.
- Engineering - as per the guidelines provided by SAMA, pre-defined calculation for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increases towards the end of the tenure of the policy.

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

Unearned commission on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate. Amortization is recorded in the statement of income.

Investment income

Investment income classified under murabaha deposits are accounted for on an effective interest basis.

Dividend income

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

Claims

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

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial 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 ("IBNR") as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

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 liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

Reinsurance contracts ceded

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contract.

The benefits to which the Company is entitled under its reinsurance contracts ceded are recognized as reinsurance assets in the insurance operations' assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognized consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of income. Refer accounting policy for impairment of financial assets.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognized 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.

Expense Recognition

Expenses are recognized in statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statement of income are presented using the nature of expense method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

Dividend distribution

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

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 statement of financial position 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.

Segment reporting

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 products and services and has eight reportable operating segments and one non-operating reportable segment as follows:

- Medical insurance provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary insurance provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability insurance provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- General accident insurance provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provide coverage for workmen compensation.
- Inherent defects insurance provides coverage against post usage detected defects in buildings and constructions.

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.

4 CASH AND CASH EQUIVALENTS

	31 December	
	2022	2021
Insurance operations		
Cash in banks	**175,292**	37,074
Cash on hand	**19**	19
Short term murabaha deposits	**65,435**	170,726
	240,746	207,819
Shareholders' operations		
Cash in banks	**80,902**	141,930
Short term murabaha deposits	**20,622**	129,632
	101,524	271,562
Total cash and cash equivalents	**342,270**	479,381

Short term murabaha deposits have original maturity of less than three months from the date of acquisition and are subject to an average commission rate of 4.27% per annum as at 31 December 2022 (31 December 2021: 1.73%). The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

Cash in bank includes an amount of SR 13.4 million (2021: SR 0.73 million) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio.

5 MURABAHA DEPOSITS

	31 December	
Insurance operations	**2022**	2021
Murabaha deposits	**133,858**	129,113
Shareholders' operations		
Murabaha deposits	**21,268**	**-**
Total Murabaha deposits	**155,126**	129,113

Murabaha deposits have an original maturity of more than three months from the date of acquisition and are subject to an average commission rate of 3.49% per annum as at 31 December 2022 (31 December 2021: 1.57% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the statement of financial position.

Murabaha deposits includes an amount of SR 3 million (2021: SR 0.24 million) that pertains to the Company's share of Inherent Defect Insurance (IDI) portfolio.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	31 December 2022	31 December 2021
Policyholders	**256,706**	233,414
Reinsurers	**3,523**	1,396
Insurance companies	**18,742**	11,581
Agents and brokers	**11,479**	16,067
	290,450	262,458
Less:		
Provision for doubtful receivables - insurance	**(43,762)**	(43,287)
Provision for doubtful receivables - reinsurers	**(293)**	(287)
	(44,055)	(43,574)
	246,395	218,884

The movement in provision for doubtful receivables is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**43,574**	36,528
Provision made during the year	**481**	7,046
Balance at the end of the year	**44,055**	43,574

2022

	Total	Less than 90 days	91 - 180 days	181 - 360 days	More than 360 days
Policyholders	**256,706**	**176,241**	**25,835**	**12,146**	**42,484**
Reinsurers	**3,523**	**1,574**	**1,157**	**463**	**329**
Insurance companies	**18,742**	**8,554**	**3,041**	**4,954**	**2,193**
Agents and brokers	**11,479**	**6,530**	**1,409**	**1,041**	**2,499**
	290,450	**192,899**	**31,442**	**18,604**	**47,505**

2021

	Total	Less than 90 days	91 - 180 days	181 - 360 days	More than 360 days
Policyholders	233,414	155,224	23,566	12,957	41,667
Reinsurers	1,396	260	467	331	338
Insurance companies	11,581	3,196	1,455	4,317	2,613
Agents and brokers	16,067	6,397	6,197	1,027	2,446
	262,458	165,077	31,685	18,632	47,064

7 TECHNICAL RESERVES

a) Outstanding claims and reserves

	31 December 2022	31 December 2021
Gross outstanding claims	**200,335**	161,562
Less: Realizable value of salvage and subrogation	**(124,815)**	(102,013)
Outstanding claims	**75,520**	59,549
Claims incurred but not reported (IBNR)	**243,285**	209,110
Additional premium reserves	**4,985**	28,412
Other technical reserves	**4,028**	4,432
	327,818	301,503
Reinsurers' share of outstanding claims	**(130,493)**	(90,130)
Reinsurers' share of claims incurred but not reported	**(9,197)**	(20,802)
	(139,690)	(110,932)
Net outstanding claims and reserves	**188,128**	190,571

b) Unearned premiums

	31 December 2022		
	Gross	**Reinsurers' share**	**Net**
Unearned premiums at beginning of the year	**427,085**	**(14,487)**	**412,598**
Premiums written during the year	**944,376**	**(86,697)**	**857,679**
Premiums earned during the year	**(950,573)**	**80,501**	**(870,072)**
Unearned premiums at end of the year	**420,888**	**(20,683)**	**400,205**

	31 December 2021		
	Gross	Reinsurers' share	Net
Unearned premiums at beginning of the year	330,974	(17,051)	313,923
Premiums written during the year	942,107	(64,720)	877,387
Premiums earned during the year	(845,996)	67,284	(778,712)
Unearned premiums at end of the year	427,085	(14,487)	412,598

c) Unearned reinsurance commission

	31 December 2022	31 December 2021
Balance at beginning of the year	**3,488**	4,001
Commission received during the year	**14,966**	7,810
Commission earned during the year	**(13,768)**	(8,323)
Balance at end of the year	**4,686**	3,488

7 TECHNICAL RESERVES (continued)

d) Deferred policy acquisition costs

	31 December	
	2022	2021
Balance at beginning of the year	**25,618**	20,117
Paid during the year	**75,354**	71,331
Amortized during the year	**(71,538)**	(65,830)
Balance at end of the year	**29,434**	25,618

8 AVAILABLE-FOR-SALE INVESTMENTS

	31 December	
	2022	2021
Insurance operations		
Quoted		
Equity shares	**149**	6,269
Unquoted		
Funds	**50,000**	50,114
Equity shares	**5,115**	5,115
	55,264	61,498
Shareholders' operations		
Quoted		
Equity shares	**56,399**	65,898
Unquoted		
Funds	**30,051**	30,430
Equity shares	**16,819**	3,800
	103,269	100,128
Total available for sale investments	**158,533**	161,626

The fair values of the unquoted mutual funds computed above are based on the latest reported of net assets value as at the reporting date. Unquoted equity shares in shareholders' operations which are carried at cost due to absence of active market or other means of reliably measuring its fair value. An impairment review is performed at each reporting date.

With the election of Directors, the representation on the Board of Directors of Najm Insurance Services "the investee" ceased and the company forfeited significant influence over the investee on October 09, 2022. Due to that event, the investment was reclassified from investment in associate to available for sale investment at the book value that is 13.9 million Saudi riyals from the date of significant influence forfeited.

8 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movement in the investments balance is as follows:

	31 December	
	2022	2021
Insurance operations		
Balance at beginning of the year at cost	**60,110**	53,976
Addition during the year	**50,000**	12,669
Transfer to shareholder investment during the year	**-**	(1,219)
Disposals during the year	**(54,728)**	(5,316)
Balance at end of the year at cost	**55,382**	60,110
Unrealized (loss) / gain on available-for-sale investments	**(118)**	1,388
Balance at end of the year at fair value	**55,264**	61,498
Shareholders' operations		
Balance at beginning of the year at cost	**100,987**	61,909
Addition during the year	**12,884**	57,963
Transfer from policyholder investment during the year	**-**	1,219
Net value of investment reclassified from investment in associate	**11,996**	-
Disposals during the year	**(15,203)**	(20,104)
Balance at end of the year at cost	**110,664**	100,987
Unrealized loss on available-for-sale investments	**(7,395)**	(859)
Balance at end of the year at fair value	**103,269**	100,128
Total available for sale investments	**158,533**	161,626

9 INVESTMENTS HELD TO MATURITY

Movement in the investment held to maturity balance is as follows:

	31 December	
	2022	2021
Insurance operations		
Balance at beginning of the year	**10,000**	10,000
Additions during the year	**4,855**	-
Matured during the year	**-**	-
Balance at end of the year	**14,855**	10,000

During the year, the Company invested in governmental sukuk of SR 4.8 million price, on discount which was classified as held to maturity. The sukuk is having maturity of 5 years, principle amount of SR 5 million with coupon rate of 2.6% that yeilds 3.3%.

	31 December	
	2022	2021
Shareholders' operations		
Balance at beginning of the year	**9,724**	-
Additions during the year	**-**	9,724
Matured during the year	**(1,880)**	-
Balance at end of the year	**7,844**	9,724
Total investments held to maturity	**22,699**	19,724

10 PREPAYMENTS AND OTHER ASSETS

	31 December	
	2022	2021
Insurance operations		
Prepaid claims to medical providers	**60,411**	48,378
VAT receivables, net	**25,921**	-
Deferred expenses	**5,798**	20,271
Accrued income of debt securities	**3,578**	2,597
Guarantee Deposits	**1,782**	300
Advance to employees	**1,669**	4,613
Prepaid rent	**1,574**	1,919
*Others	**10,308**	24,232
	111,041	102,310

*Others includes an amount of SR 3.3 million (2021: SR 0.5 million) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio's assets.

	31 December	
	2022	2021
Shareholders' operations		
Other receivables	**1,685**	2,492
Other assets (10.1)	**54,157**	-
Accrued income of debt securities	**418**	55
	56,260	2,547
Total prepayments and other assets	**167,301**	104,857

10.1 Other assets represent term deposits with a financial institution that amounted to SR 51.7 million which matured in September 2022. Because the financial institution could not pay this amount, the Company went into to settlement agreement dated December 29, 2022. Based on the agreement, the financial institution transferred the ownership of land with a value of SR 40.5 million to the Company as a guarantee along with a promissory note amounting to SR 11.6 million. The Company is committed to return this land to the financial institution if the amount is paid to the Company within 60 days from the date of the agreement. The Company is entitled to sell the land after 60 days and recover its secured amount, however, any differences will be adjusted to and by the Company with a financial institution for selling it under or over the land value. Property tax on land has also been included in other assets amounting to SR 2.03 million. Subsequently, the amount has not been paid by the financial institution but no action has been taken by the Company regarding the sale of land.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December	
	2022	2021
Insurance operations		
Advances from clients	**29,227**	31,361
Commission payable	**28,253**	18,525
Due to IDI pool, net	**13,841**	-
Accrued employees' costs and other benefits	**11,068**	4,842
Accounts payable	**3,307**	4,411
Accrued professional fees	**2,308**	2,401
*Others	**27,789**	31,187
	115,793	92,727

*Others includes an amount of SR 20.7 million (2021: SR 1.5 million) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio's liabilities.

11 ACCRUED EXPENSES AND OTHER LIABILITIES (contunied)

	31 December	
	2022	2021
Shareholders' operations		
Accounts payable	**2,100**	1,500
Others	**536**	536
	2,636	2,036
Total accrued expenses and other liabilities	**118,429**	94,763

12 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	31 December	
	2022	2021
Present value of defined benefit obligation	**17,149**	20,154

	31 December	
	2022	2021
At the beginning of the year	**20,154**	18,209
Current service cost	**2,135**	2,618
Interest cost	**940**	709
Net benefit expenses	**3,075**	3,327
Benefits paid during the year	**(4,277)**	(4,462)
Actuarial loss from experience adjustments	**(1,803)**	3,080
At the end of the year	**17,149**	20,154

Principal actuarial assumptions

Valuation discount rate	**4.75%**	3.75%
Salary escalation	**5%**	5%

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

	31 December	
	2022	2021
Discount rate		
- Increase by 50 basis points	**(331)**	(472)
- Decrease by 50 basis points	**360**	550
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**705**	1,058
- Decrease by 1%	**(661)**	(925)

13 PROPERTY AND EQUIPMENT

	2022						
	Leasehold improvements	***Computer hardware***	***Computer software***	***Furniture and fixtures***	***Office equipment***	***Motor vehicles***	***Total***
Cost							
1 January	**16,737**	**14,842**	**4,265**	**3,944**	**4,439**	**84**	**44,311**
Additions	**210**	**430**	**421**	**6**	**152**	**-**	**1,219**
31 December	**16,947**	**15,272**	**4,686**	**3,950**	**4,591**	**84**	**45,530**
Accumulated depreciation							
1 January	**16,052**	**12,196**	**3,984**	**3,727**	**3,423**	**84**	**39,466**
Charge for the year	**215**	**989**	**344**	**53**	**349**	**-**	**1,950**
31 December	**16,267**	**13,185**	**4,328**	**3,780**	**3,772**	**84**	**41,416**
Net book value:							
31 December	**680**	**2,087**	**358**	**170**	**819**	**-**	**4,114**

	2021						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total*
Cost							
1 January	15,875	12,534	3,681	3,934	3,504	84	39,612
Additions	862	2,308	584	10	935	-	4,699
31 December	16,737	14,842	4,265	3,944	4,439	84	44,311
Accumulated depreciation							
1 January	15,388	11,530	3,666	3,630	3,213	84	37,511
Charge for the year	664	666	318	97	210	-	1,954
31 December	16,052	12,196	3,984	3,727	3,423	84	39,465
Net book value:							
31 December	685	2,646	281	217	1,016	-	4,846

14 PROVISION FOR ZAKAT AND TAX

a) Zakat payable

The estimated zakat base of the Company, which is subject to adjustments under Zakat regulations, consists of the following:

	31 December	
	2022	2021
Share capital	**500,000**	500,000
Adjusted (loss) / income before Zakat	**(10,176)**	32,030
Property and equipment, net	**(4,114)**	(4,846)
Adjusted available-for-sale investments	**(82,594)**	(161,626)
Accumulated losses	**(120,408)**	(141,437)
Provision and adjustments	**114,313**	283,762
Estimated Zakat base	**397,021**	507,883

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

	31 December	
	2022	2021
Balance at beginning of the year	**17,252**	20,374
Charge for the year	**10,288**	12,810
Reversal of zakat provision during the year	**-**	(5,855)
Payments during the year	**(3,909)**	(10,077)
Balance at end of the year	**23,631**	17,252

b) Status of Zakat assessments

The Company had filed the zakat returns up to 2021 and received a temporary Zakat certificate. Assessments have been received from ZATCA to date in respect of these years.

c) Status of Zakat appeals

• **The years from 2016 to 2018**: On December 27, 2020, the ZATCA raised its assessments for those years claiming additional zakat liability of Saudi Riyals 3.3 million, then the Company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the Company's appeal and issued a revised assessment for the Company's favor which resulted an overpaid amount of Saudi Riyals 1.5 million for the Company. However, the Company has decided to escalate the case to the GSTC. During August 2022, the Committee for Resolution of Tax Violations and Disputes ("CRTVD") (which is the first level of the GSTC committees) has issued its decision which resulted an overpaid amount of Saudi Riyals 2.8 million for the Company. However, the Company has decided to escalate the case to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") (Which is the second and final level of GSTC committees), and the hearing session is awaiting.

14 PROVISION FOR ZAKAT AND TAX (continued)

c) Status of Zakat appeals (continued)

• **The years 2019 & 2020**: On September 30, 2021, ZATCA raised its assessments for those years claiming additional zakat liability of Saudi Riyals 5.2 million, then the company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the Company's appeal and issued a revised assessment through which the additional zakat liability has been reduced to Saudi Riyals 5 million knowing that the Company has already settled along with the appeal an amount of Saudi Riyals 1.3 million which represents 25% of the disputed additional zakat liability as per the original assessment to fulfil the formality conditions of appeal submission stated in the zakat regulations, then the Company has escalated its appeal case to the GSTC. During September 2022, CRTVD has issued its decision and reduced the zakat liability to 3.7 million. However, the Company has escalated the case to ACTVDR, and the hearing session is awaiting.

d) Status of VAT assessment

On 29 November 2022, the Zakat, Tax and Customs Authority ("ZATCA") raised an assessment based on the tax audit conducted with respect to Value Added Tax ("VAT") for the tax periods from January 2018 to December 2020 (36 tax periods) ("assessed tax periods"). In the said assessment, the ZATCA is of the view that Malath Cooperative Insurance Company ("the Company") had underdeclared its VAT liability for the assessed tax periods for a number of items.

The items include: reinsurers' share of claims paid, recoveries received on accidents from other insurance companies, differences between Financial Statement and VAT returns, exclusion of bad debt adjustment, exclusion of investment income from the Company's Exempt supplies, exclusion of purchases that do not qualify for Article 53 of the VAT Implementing Regulations, exclusion of zero-rated sales for January 2020 tax period, exclusion of sales adjustment for January 2020 tax period, exclusion of purchases where the amount on the invoice does not match the amount in the statement provided by the Company, and the recalculation of the partial exemption ratio.

14 PROVISION FOR ZAKAT AND TAX (continued)

d) Status of VAT assessment (continued)

The total assessed VAT liability for the assessed tax periods is SAR 7.7 million The ZATCA had also applied late payment and incorrect filing penalties on the Company however given that the Company paid the assessed VAT liability during the ZATCA's penalty exemption initiative and therefore the Company is eligible for penalty exemption/waiver and it is following up with the ZATCA to confirm the exemption/waiver in writing.

Considering the assessed items, the Company understands that it has good grounds supported by the VAT legislation in the Kingdom of Saudi Arabia ("KSA") and the guidance issued by the ZATCA and therefore the Company submitted objection letters for all the assessed tax periods through the ZATCA portal on 27 January 2023, objecting on the assessment released by the ZATCA.

15 SHARE CAPITAL

As at 31 December 2022 and 2021, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

16 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share for the period have been calculated by dividing the total net income for the year by the weighted average number of shares in issue throughout the period. The basic and diluted earning / (loss) per share are as follows:

	31 December	
	2022	2021
Basic and diluted loss per share	**(0.57)**	(1.71)
Weighted average number of shares throughout the year (thousands)	**50,000**	50,000

17 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

18 STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the SAMA, the Company has deposited 15 percent (31 December 2021: 15 percent) of its share capital, amounting to SR 75 million (31 December 2021: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position. Income is accrued on statutory deposit at rate of 0.55% (per annum).

19 SALARIES AND STAFF RELATED COSTS

	31 December	
	2022	2021
Employees salaries costs	**60,997**	53,737
Insurance	**5,614**	5,301
Social security charges	**4,094**	4,201
End-of-service benefits (note 12)	**3,075**	3,318
Bonus	**4,933**	-
Others	**3,789**	8,593
	82,502	75,150

20 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	31 December	
	2022	2021
Insurance operations		
Inspection fees	**9,180**	7,752
IT expenses	**5,822**	7,384
Professional fees	**5,763**	5,022
Advertisement and promotion	**5,473**	4,284
Asset write off	**5,139**	-
Rent costs	**4,740**	5,159
Communication expenses	**2,885**	1,361
Depreciation expense (note 13)	**1,950**	1,954
Withholding tax	**1,203**	719
Office supplies	**451**	199
Training and development	**449**	599
Others	**6,198**	6,364
	49,253	40,797
Shareholders' operations		
Regulatory fees	**1,042**	1,014
Others	**820**	3,735
	1,862	4,749
Total other general and administrative expenses	**51,115**	45,546

21 RISK MANAGEMENT

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

Risk Governance

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

a. Risk management structure - a cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.
b. Board of directors - the apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined
c. Senior management - the senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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 may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future. factors such as judicial decisions and others 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.

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

Process used to decide on assumptions

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

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

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

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

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

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period 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 net underwriting income as follows ('000):

	Change in assumptions	**Increase/ (decrease) in net liabilities**	**Increase/ (decrease) in underwriting surplus**
Ultimate loss ratio			
2022	**+/- 10%**	**87,007**	**87,007**
2021	+/- 10%	77,871	77,871

21 RISK MANAGEMENT (continued)

b) 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. The criteria may be summarized as follows:

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

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

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

c) Commission rate risk

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

The Company have murabaha deposits and investment in Sukuk which are realizable within 3 months up to 3 years, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its its deposits are denominated. The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of income to possible changes in commission rates, with all other variables held constant.

	2022	2021
Increase / decrease in commission rates by 100 basis points	**2,411**	1,291

d) Credit risk

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

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

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

21 RISK MANAGEMENT (continued)

d) Credit risk (continued)

The Company does not have an internal credit ratings assessment process, and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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

	2022	2021
Cash and cash equivalents	**342,270**	479,381
Murabaha deposits	**155,126**	129,113
Premiums and reinsurers' receivable - net	**246,395**	218,884
Reinsurers' share of outstanding claims and reserves	**130,493**	90,130
Available-for-sale investments	**158,533**	161,626
Statutory deposit	**75,000**	75,000
Other assets	**5,681**	4,542
	1,113,498	1,158,676

Credit quality

The credit quality of the financial assets is ranging from A to BBB+ that is strong and satisfactory quality

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

21 RISK MANAGEMENT (continued)

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyals.

g) Market price risk

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

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

Sensitivity analysis

The sensitivity of the comprehensive income on the assumed changes in the market prices of quoted available-for-sale investments included in the assets for the year ended 31 December 2022 and 2021 is set out below:

2022 ('000)		2021 ('000)	
Change in market price	***Impact +/-***	*Change in market price*	*Impact +/-*
+ / - 5%	**2,827**	+ / - 5%	239
+ / - 10%	**5,655**	+ / - 10%	477

h) Capital management

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

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

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

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

21 RISK MANAGEMENT (continued)

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is compliant of minimum capital adequacy prescribed by the regulator.

Fair value of financial instruments

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

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,

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

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

The following table summarizes the financial assets recorded at fair value as of 31 December 2022 and 2021 by level of the fair value hierarchy which are classified as avaliable for sale investments.

As at 31 December 2022

	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Insurance operations					
Equity securities	**5,264**	**149**	**-**	**5,115**	**5,264**
Mutual Funds	**50,000**	**-**	**50,000**	**-**	**50,000**
Shareholders' operations					
Equity securities	**73,218**	**56,399**	**-**	**16,819**	**73,218**
Mutual Funds/Sukuks	**30,051**	**-**	**30,051**	-	**30,051**
	158,533	**56,548**	**80,051**	**21,934**	**158,533**

As at 31 December 2021

	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
Insurance operations					
Equity securities	11,384	6,269	-	5,115	11,384
Mutual Funds	50,114	-	50,114	-	50,114
Shareholders' operations					
Equity securities	69,698	65,898	-	3,800	69,698
Mutual Funds/Sukuks	30,430	-	30,430	-	30,430
	161,626	72,167	80,544	8,915	161,626

The Company has investments amounting to SAR 21.9 million (31 December 2021: SAR 8.9) million in unquoted equity securities and 25 million in Sukuks. These investments have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

21 RISK MANAGEMENT (continued)

j) Operational Risk

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

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

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

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

22 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings and regulations

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

b. Contingent liabilities

The Company's contingent liabilities are as follows:

	2022	2021
Letters of guarantee	**13,493**	20,974

23 RELATED PARTY TRANSACTIONS

Related parties represent transactions with 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 mutually agreed and are approved by the Company's management.

The following are the details of the major related party transactions during the period and the related balances:

	31 December	
	2022	2021
Remuneration paid to Board of Directors	**800**	3,726
Board of Directors' and Committees meeting fees	**590**	424

Remuneration and compensation of key management personnel:

	31 December	
	2022	2021
Salaries and allowances	**7,363**	6,869
End of service indemnities	**512**	378

24 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, income from Murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, Murabaha deposits, available for sale investments, premium and reinsurers' receivable net, prepayments and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurance balances payable, policyholders claims payable, accrued and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums and reinsurers' receivable and depreciation on the property and equipment) are not reported to Chief Executive Officer under related segments and are monitored on a centralized basis.

24 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2022			
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Total**
Revenues				
Gross premiums written				
-Individuals	**12,239**	**227,608**	**740**	**240,587**
-Very small enterprises	**6,071**	**1,358**	**3**	**7,432**
-Small enterprises	**67,760**	**47,859**	**3,418**	**119,037**
-Medium enterprises	**102,390**	**17,045**	**15,908**	**135,343**
-Corporates	**316,992**	**60,795**	**64,190**	**441,977**
	505,452	**354,665**	**84,259**	**944,376**
Reinsurance premiums ceded				
- Local	**-**	**-**	**(9,055)**	**(9,055)**
- International	**(9)**	**-**	**(61,503)**	**(61,512)**
	(9)	**-**	**(70,558)**	**(70,567)**
Excess of loss expenses				
- Local	**(1,988)**	**(674)**	**(287)**	**(2,949)**
- International	**(1,988)**	**(8,961)**	**(2,232)**	**(13,181)**
	(3,976)	**(9,635)**	**(2,519)**	**(16,130)**
Net premiums written	**501,467**	**345,030**	**11,182**	**857,679**
Movement in unearned premiums, net	**(47,792)**	**60,711**	**(526)**	**12,393**
Net premiums earned	**453,675**	**405,741**	**10,656**	**870,072**
Reinsurance commissions	**-**	**-**	**13,768**	**13,768**
Other underwriting income	**5,063**	**158**	**16,076**	**21,297**
Net revenues	**458,738**	**405,899**	**40,500**	**905,137**
Underwriting costs and expenses				
Gross claims paid	**(287,997)**	**(471,303)**	**(1,689)**	**(760,989)**
Reinsurers' share of claims paid	**1,719**	**10,107**	**1,226**	**13,052**
Net claims paid	**(286,278)**	**(461,196)**	**(463)**	**(747,937)**
Movement in outstanding claims, net	**(5,554)**	**29,386**	**560**	**24,392**
Movement in claims incurred but not reported, net	**(45,478)**	**(796)**	**494**	**(45,780)**
Movement in additional premium reserve	**(1,945)**	**24,508**	**864**	**23,427**
Movement in other technical reserves	**(525)**	**532**	**397**	**404**
Net claims incurred	**(339,780)**	**(407,566)**	**1,852**	**(745,494)**
Policy acquisition costs	**(30,598)**	**(30,675)**	**(10,265)**	**(71,538)**
Other underwriting expense	**(196)**	**(26,621)**	**(18)**	**(26,835)**
Total underwriting costs and expenses	**(370,574)**	**(464,862)**	**(8,431)**	**(843,867)**
Net underwriting income / (cost)	**88,164**	**(58,963)**	**32,069**	**61,270**
Unallocated revenue				**54,801**
Unallocated expenses				**(134,098)**
Total loss before Zakat for the period				**(18,027)**

24 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2021			
Operating segment	Medical	Motor	Property & casualty	Total
Revenues				
Gross premiums written				
-Individuals	568	320,207	680	321,455
-Very small enterprises	4,395	2,480	40	6,915
-Small enterprises	44,466	24,940	735	70,141
-Medium enterprises	76,515	21,506	6,091	104,112
-Corporates	263,928	123,317	52,239	439,484
	389,872	492,450	59,785	942,107
Reinsurance premiums ceded				
- Local	-	-	(4,823)	(4,823)
- International	(69)	-	(45,571)	(45,640)
	(69)	-	(50,394)	(50,463)
Excess of loss expenses				
- Local	(340)	(679)	(173)	(1,192)
- International	(2,616)	(8,402)	(2,047)	(13,065)
	(2,956)	(9,081)	(2,220)	(14,257)
Net premiums written	386,847	483,369	7,171	877,387
Movement in unearned premiums, net	(39,428)	(59,524)	277	(98,675)
Net premiums earned	347,419	423,845	7,448	778,712
Reinsurance commissions	-	-	8,322	8,322
Other underwriting income	296	487	233	1,016
Net revenues	347,715	424,332	16,003	788,050
Underwriting costs and expenses				
Gross claims paid	(276,280)	(440,622)	(17,012)	(733,914)
Reinsurers' share of claims paid	2,114	1,696	13,038	16,848
Net claims paid	(274,166)	(438,926)	(3,974)	(717,066)
Movement in outstanding claims, net	7,270	19,038	4,002	30,310
Movement in IBNR, net	3,683	(15,025)	393	(10,949)
Movement in additional premium reserve	6,953	5,348	(1,076)	11,225
Movement in other technical reserve	231	388	(1,387)	(768)
Net claims incurred	(256,029)	(429,177)	(2,042)	(687,248)
Policy acquisition costs	(24,684)	(32,767)	(8,379)	(65,830)
Other underwriting expense	-	(20,922)	(81)	(21,003)
Total underwriting costs and expenses	(280,713)	(482,866)	(10,502)	(774,081)
Net underwriting income / (cost)	67,002	(58,534)	5,501	13,969
Unallocated revenue				40,923
Unallocated expenses				(127,742)
Total loss before Zakat for the period				(72,850)

24 SEGMENT INFORMATION (continued)

	31 December 2022			
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Total**
Assets				
Reinsurer's share of unearned premiums	**4**	**-**	**20,679**	**20,683**
Reinsurers' share of outstanding claims	**3,561**	**18,366**	**108,566**	**130,493**
Reinsurers' share of claims incurred but not reported	**-**	**-**	**9,197**	**9,197**
Deferred policy acquisition costs	**13,675**	**12,752**	**3,007**	**29,434**
Segment assets	**17,240**	**31,118**	**141,449**	**189,807**
Unallocated assets				**1,182,308**
Total assets				**1,372,115**
Liabilities				
Unearned premiums	**202,529**	**193,789**	**24,570**	**420,888**
Unearned reinsurance commission	**-**	**-**	**4,686**	**4,686**
Outstanding claims	**38,365**	**(76,589)**	**113,744**	**75,520**
Claims incurred but not reported (IBNR)	**79,855**	**153,280**	**10,150**	**243,285**
Additional premium reserves	**2,175**	**2,500**	**310**	**4,985**
Other technical reserves	**895**	**1,918**	**1,215**	**4,028**
Segment liabilities	**323,819**	**274,898**	**154,675**	**753,392**
Unallocated liabilities				**282,273**
Total equity				**336,450**
Total liabilities and equity				**1,372,115**

24 SEGMENT INFORMATION (continued)

	31 December 2021			
Operating segment	Medical	Motor	Property & casualty	Total
Assets				
Reinsurers' share of outstanding claims	2,685	18,221	69,224	90,130
Reinsurers' share of IBNR	-	-	20,802	20,802
Reinsurers' share of unearned premiums	7	-	14,480	14,487
Deferred policy acquisition costs	10,000	13,417	2,201	25,618
Segment assets	12,692	31,638	106,707	151,037
Unallocated assets				1,203,681
Total assets				1,354,718
Liabilities				
Unearned premiums	154,739	254,500	17,846	427,085
Unearned reinsurance commission	-	-	3,488	3,488
Outstanding claims	31,935	(47,348)	74,962	59,549
Claims incurred but not reported (IBNR)	34,377	152,484	22,249	209,110
Additional premium reserves	230	27,008	1,174	28,412
Other technical reserves	370	2,450	1,612	4,432
Segment liabilities	221,651	389,094	121,331	732,076
Unallocated liabilities and surplus				251,066
Total equity				371,576
Total liabilities and equity				1,354,718

25 CLAIMS DEVELOPMENT TABLE

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

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

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

Claims development table gross of reinsurance (with IBNR) for 2022:

Accident year	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	**15,979,213**	**726,007**	**526,238**	**614,550**	**589,130**	**757,685**	**827,808**	**20,020,631**
One year later	**3,825,869**	**711,132**	**496,497**	**608,519**	**541,073**	**743,359**	**-**	**6,926,448**
Two years later	**3,798,075**	**709,764**	**493,509**	**612,464**	**535,261**	**-**	**-**	**6,149,073**
Three years later	**3,781,361**	**698,234**	**488,551**	**606,375**	**-**	**-**	**-**	**5,574,521**
Four years later	**3,768,821**	**694,848**	**480,709**	**-**	**-**	**-**	**-**	**4,944,379**
Five years later	**3,758,529**	**694,724**	**-**	**-**	**-**	**-**	**-**	**4,453,253**
Six years later	**3,757,853**	**-**	**-**	**-**	**-**	**-**	**-**	**3,757,853**
Current estimate of cumulative claims	**3,757,853**	**694,724**	**480,709**	**606,375**	**535,261**	**743,359**	**827,808**	**7,646,089**
Cumulative payments to date	**(3,745,187)**	**(691,922)**	**(476,870)**	**(570,545)**	**(529,847)**	**(722,657)**	**(590,256)**	**(7,327,284)**
Gross outstanding claims and IBNR	**12,666**	**2,802**	**3,839**	**35,830**	**5,414**	**20,702**	**237,552**	**318,805**

Claims development table gross of reinsurance (with IBNR) for 2021:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	9,734,807	1,749,933	726,007	526,238	614,550	589,130	757,685	14,698,350
One year later	4,494,473	1,278,788	711,132	496,497	608,519	541,073	-	8,130,482
Two years later	2,547,081	1,255,966	709,764	493,509	612,464	-	-	5,618,783
Three years later	2,542,109	1,233,431	698,234	488,551	-	-	-	4,962,326
Four years later	2,547,930	1,231,495	694,848	-	-	-	-	4,474,274
Five years later	2,537,326	1,229,050	-	-	-	-	-	3,766,376
Six years later	2,529,479	-	-	-	-	-	-	2,529,479
Current estimate of cumulative claims	2,529,479	1,229,050	694,848	488,551	612,464	541,073	757,685	6,853,150
Cumulative payments to date	(2,510,276)	(1,223,903)	(690,136)	(475,919)	(571,032)	(528,386)	(584,838)	(6,584,491)
Gross outstanding claims and IBNR	19,203	5,146	4,712	12,632	41,432	12,687	172,847	268,659

25 CLAIMS DEVELOPMENT TABLE (continued)

Claims development table net of reinsurance (with IBNR) for 2022:

Accident year	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	**13,029,280**	**704,249**	**507,617**	**545,045**	**568,448**	**740,223**	**761,894**	**16,856,757**
One year later	**3,384,830**	**657,183**	**473,137**	**547,317**	**515,864**	**732,358**	**-**	**6,310,690**
Two years later	**3,423,836**	**650,166**	**471,683**	**557,682**	**521,693**	**-**	**-**	**5,625,060**
Three years later	**3,408,002**	**651,427**	**470,719**	**551,190**	**-**	**-**	**-**	**5,081,338**
Four years later	**3,398,421**	**649,356**	**467,978**	**-**	**-**	**-**	**-**	**4,515,755**
Five years later	**3,390,298**	**650,664**	**-**	**-**	**-**	**-**	**-**	**4,040,962**
Six years later	**3,398,812**	**-**	**-**	**-**	**-**	**-**	**-**	**3,398,812**
Current estimate of cumulative claims	**3,398,812**	**650,664**	**467,978**	**551,190**	**521,693**	**732,358**	**761,894**	**7,084,590**
Cumulative payments to date	**(3,406,650)**	**(650,101)**	**(467,860)**	**(549,809)**	**(519,318)**	**(722,298)**	**(589,438)**	**(6,905,474)**
Net outstanding claims and IBNR, net	**(7,838)**	**563**	**118**	**1,381**	**2,376**	**10,060**	**172,456**	**179,115**

Claims development table net of reinsurance (with IBNR) for 2021:

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	7,447,642	1,716,637	704,249	507,617	545,045	568,448	740,223	12,229,861
One year later	3,865,001	1,226,942	657,183	473,137	547,317	515,864	-	7,285,444
Two years later	2,157,888	1,192,380	650,166	471,683	557,682	-	-	5,029,799
Three years later	2,231,456	1,172,718	651,427	470,719	-	-	-	4,526,320
Four years later	2,235,284	1,171,462	649,356	-	-	-	-	4,056,102
Five years later	2,226,959	1,172,270	-	-	-	-	-	3,399,229
Six years later	2,218,028	-	-	-	-	-	-	2,218,028
Current estimate of cumulative claims	2,218,028	1,172,270	649,356	470,719	557,682	515,864	740,223	6,324,142
Cumulative payments to date	(2,226,494)	(1,173,218)	(648,650)	(467,652)	(547,477)	(518,302)	(584,622)	(6,166,415)
Net outstanding claims and IBNR, net	(8,466)	(948)	706	3,067	10,205	(2,438)	155,601	157,727

26 SUPPLEMENTARY INFORMATION

26.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	31 December		31 December		31 December	
	2022	2021	**2022**	2021	**2022**	2021
ASSETS						
Cash and cash equivalents	**240,746**	207,819	**101,524**	271,562	**342,270**	479,381
Murabaha deposits	**133,858**	129,113	**21,268**	-	**155,126**	129,113
Premiums and reinsurers' receivable - net	**246,395**	218,884	**-**	-	**246,395**	218,884
Reinsurers' share of unearned premiums	**20,683**	14,487	**-**	-	**20,683**	14,487
Reinsurers' share of outstanding claims	**130,493**	90,130	**-**	-	**130,493**	90,130
Reinsurers' share of claims incurred but not reported	**9,197**	20,802	**-**	-	**9,197**	20,802
Deferred policy acquisition costs	**29,434**	25,618	**-**	-	**29,434**	25,618
Deferred excess of loss premiums	**92**	83	**-**	-	**92**	83
Available-for-sale investments	**55,264**	61,498	**103,269**	100,128	**158,533**	161,626
Investment held to maturity	**14,855**	10,000	**7,844**	9,724	**22,699**	19,724
Prepayments and other assets	**111,041**	102,310	**56,260**	2,547	**167,301**	104,857
Property and equipment	**4,114**	4,846	**-**	-	**4,114**	4,846
Statutory deposit	**-**	-	**75,000**	75,000	**75,000**	75,000
Accrued commission income on statutory deposit	**-**	-	**10,778**	10,167	**10,778**	10,167
	996,172	885,590	**375,943**	469,128	**1,372,115**	1,354,718
Due (to) / from insurance operations	**-**	-	**6,543**	(58,804)	**6,543**	(58,804)
TOTAL ASSETS	**996,172**	885,590	**382,486**	410,324	**1,378,658**	1,295,914

26 SUPPLEMENTARY INFORMATION (continued)

26.1 Statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	31 December		31 December		31 December	
	2022	2021	**2022**	2021	**2022**	2021
LIABILITIES						
Policyholders claims payable	**72,305**	81,913	**-**	-	**72,305**	81,913
Accrued expenses and other liabilities	**115,793**	92,722	**2,636**	2,041	**118,429**	94,763
Reinsurance balances payable	**38,973**	25,809	**-**	-	**38,973**	25,809
Unearned premiums	**420,888**	427,085	**-**	-	**420,888**	427,085
Unearned reinsurance commission	**4,686**	3,488	**-**	-	**4,686**	3,488
Outstanding claims	**75,520**	59,549	**-**	-	**75,520**	59,549
Claims incurred but not reported (IBNR)	**243,285**	209,110	**-**	-	**243,285**	209,110
Additional premium reserve	**4,985**	28,412	**-**	-	**4,985**	28,412
Other technical reserves	**4,028**	4,432	**-**	-	**4,028**	4,432
Employees' end-of-service benefits	**17,149**	20,154	**-**	-	**17,149**	20,154
Accumulated surplus	**1,008**	1,008	**-**	-	**1,008**	1,008
Provision for zakat	**-**	-	**23,631**	17,252	**23,631**	17,252
Accrued return on statutory deposit payable to SAMA	**-**	-	**10,778**	10,167	**10,778**	10,167
	998,620	953,682	**37,045**	29,460	**1,035,665**	983,142
Due (from) / to shareholders' operations	**6,543**	(58,804)	**-**	-	**6,543**	(58,804)
TOTAL LIABILITIES	**1,005,163**	894,878	**37,045**	29,460	**1,042,208**	924,338
EQUITY						
Share capital	**-**	-	**500,000**	500,000	**500,000**	500,000
Statutory reserve	**-**	-	**2,131**	2,131	**2,131**	2,131
Accumulated losses	**-**	-	**(148,723)**	(120,408)	**(148,723)**	(120,408)
Fair value reserve for available-for-sale investments	**(118)**	1,388	**(7,395)**	(859)	**(7,513)**	529
Re-measurement reserve of defined benefit obligation	**(8,873)**	(10,676)	**(572)**	-	**(9,445)**	(10,676)
TOTAL EQUITY	**(8,991)**	(9,288)	**345,441**	380,864	**336,450**	371,576
TOTAL LIABILITIES AND EQUITY	**996,172**	885,590	**382,486**	410,324	**1,378,658**	1,295,914

26 SUPPLEMENTARY INFORMATION (continued)

26.2 Statement of income (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
REVENUES						
Gross premiums written	**944,376**	942,107	**-**	-	**944,376**	942,107
Reinsurance premiums ceded						
- Local	**(9,055)**	(4,823)	**-**	-	**(9,055)**	(4,823)
- International (includes premium ceded through local broker)	**(61,512)**	(45,640)	**-**	-	**(61,512)**	(45,640)
	(70,567)	(50,463)	**-**	-	**(70,567)**	(50,463)
Excess of loss expenses	**(16,130)**	(14,257)	**-**	-	**(16,130)**	(14,257)
Net premiums written	**857,679**	877,387	**-**	-	**857,679**	877,387
Movement in unearned premiums, net	**12,393**	(98,675)	**-**	-	**12,393**	(98,675)
Net premiums earned	**870,072**	778,712	**-**	-	**870,072**	778,712
Reinsurance commissions	**13,768**	8,322	**-**	-	**13,768**	8,322
Other underwriting income	**21,297**	1,016	**-**	-	**21,297**	1,016
TOTAL REVENUES	**905,137**	788,050	**-**	-	**905,137**	788,050
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(760,989)**	(733,914)	**-**	-	**(760,989)**	(733,914)
Reinsurers' share of claims paid	**13,052**	16,848	**-**	-	**13,052**	16,848
Net claims paid	**(747,937)**	(717,066)	**-**	-	**(747,937)**	(717,066)
Movement in outstanding claims, net	**24,392**	30,310	**-**	-	**24,392**	30,310
Movement in claims incurred but not reported, net	**(45,780)**	(10,949)	**-**	-	**(45,780)**	(10,949)
Movement in additional premium reserve	**23,427**	11,225	**-**	-	**23,427**	11,225
Movement in other technical reserves	**404**	(768)	**-**	-	**404**	(768)
Net claims incurred	**(745,494)**	(687,248)	**-**	-	**(745,494)**	(687,248)
Policy acquisition costs	**(71,538)**	(65,830)	**-**	-	**(71,538)**	(65,830)
Other underwriting expense	**(26,835)**	(21,003)	**-**	-	**(26,835)**	(21,003)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(843,867)**	(774,081)	**-**	-	**(843,867)**	(774,081)
NET UNDERWRITING INCOME	**61,270**	13,969	**-**	-	**61,270**	13,969

26 SUPPLEMENTARY INFORMATION (continued)

26.2 Statement of income (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
Net underwriting income carried forward	**61,270**	13,969	**-**	-	**61,270**	13,969
OTHER INCOME / (EXPENSES), NET						
Provision for doubtful debts	**(481)**	(7,046)	**-**	-	**(481)**	(7,046)
Salaries and staff related costs	**(82,502)**	(75,150)	**-**	-	**(82,502)**	(75,150)
Other general and administrative expenses	**(49,253)**	(40,796)	**(1,862)**	(4,750)	**(51,115)**	(45,546)
Investment income	**19,060**	13,631	**18,482**	16,763	**37,542**	30,394
Share of profit from investment in associate	**-**	-	**12,569**	-	**12,569**	-
Other income	**4,690**	4,674	**-**	5,855	**4,690**	10,529
TOTAL OTHER (EXPENSES) / INCOME, NET	**(108,486)**	(104,687)	**29,189**	17,868	**(79,297)**	(86,819)
Total (loss) / income for the year	**(47,216)**	(90,718)	**29,189**	17,868	**(18,027)**	(72,850)
Surplus attributed to insurance operations	**-**	-	**-**	-	**-**	-
Net (loss) / income attributable to shareholders before zakat	**(47,216)**	(90,718)	**29,189**	17,868	**(18,027)**	(72,850)
Zakat charge for the year	**-**	-	**(10,288)**	(12,810)	**(10,288)**	(12,810)
Net (loss) / income attributable to shareholders' operations	**(47,216)**	(90,718)	**18,901**	5,058	**(28,315)**	(85,660)

26 SUPPLEMENTARY INFORMATION (continued)

26.3 Statement of comprehensive income

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
Net loss for the year	**-**	-	**(28,315)**	(85,660)	**(28,315)**	(85,660)
Other comprehensive income:						
Items that may be reclassified to statement of income in subsequent periods:						
- Change in fair value of available-for-sale investments, net	**(1,506)**	1,388	**(6,536)**	(1,532)	**(8,042)**	(144)
Items that will not be reclassified to statements of income in subsequent years						
- Re-measurement gain / (loss) on defined benefit plan	**1,803**	(3,080)	**-**	-	**1,803**	(3,080)
-Re-measurement loss on end of service benefits from investment in associate	**-**	-	**(572)**	-	**(572)**	-
Total comprehensive income / (loss) for the year	**297**	(1,692)	**(35,423)**	(87,192)	**(35,126)**	(88,884)
Total comprehensive income attributable to insurance operations	**-**	-	**-**	-	**-**	-
Total comprehensive income / (loss) attributable to shareholders	**297**	(1,692)	**(35,423)**	(87,192)	**(35,126)**	(88,884)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows

	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the year before zakat	**-**	-	**(18,027)**	(72,850)	**(18,027)**	(72,850)
Adjustments for non-cash items:						
Depreciation of property and equipment	**1,950**	1,954	**-**	-	**1,950**	1,954
Gain on disposal of available-for-sale investment	**(4,336)**	-	**(8,362)**	(2,912)	**(12,698)**	(2,912)
Share of profit from investment in associate	**-**	-	**(12,569)**	-	**(12,569)**	-
Provision for employees' end-of-service benefits	**3,075**	3,327	**-**	-	**3,075**	3,327
Provision for doubtful debts	**481**	7,046	**-**	-	**481**	7,046
Reversal of zakat provision	**-**	-	**-**	(5,855)	**-**	(5,855)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(27,992)**	(25,706)	**-**	-	**(27,992)**	(25,706)
Reinsurers' share of unearned premiums	**(6,196)**	2,564	**-**	-	**(6,196)**	2,564
Reinsurers' share of outstanding claims	**(40,363)**	4,495	**-**	-	**(40,363)**	4,495
Reinsurers' share of claims incurred but not reported	**11,605**	(272)	**-**	-	**11,605**	(272)
Deferred policy acquisition costs	**(3,816)**	(5,501)	**-**	-	**(3,816)**	(5,501)
Deferred excess of loss premiums	**(9)**	(2,492)	**-**	-	**(9)**	(2,492)
Prepayments and other assets	**(8,731)**	(75,971)	**(53,713)**	(2,097)	**(62,444)**	(78,068)
Policyholders claims payable	**(9,608)**	26,958	**-**	-	**(9,608)**	26,958
Accrued expenses and other liabilities	**23,072**	25,241	**596**	604	**23,668**	25,845
Reinsurance balances payable	**13,164**	18,969	**-**	-	**13,164**	18,969
Unearned premiums	**(6,197)**	96,111	**-**	-	**(6,197)**	96,111
Unearned reinsurance commission	**1,198**	(513)	**-**	-	**1,198**	(513)
Outstanding claims	**15,971**	(34,804)	**-**	-	**15,971**	(34,804)
Claims incurred but not reported	**34,175**	11,221	**-**	-	**34,175**	11,221
Additional premium reserve	**(23,427)**	(11,225)	**-**	-	**(23,427)**	(11,225)
Other technical reserves	**(404)**	768	**-**	-	**(404)**	768
Accumulated surplus	**-**	(4,658)	**-**	-	**-**	(4,658)
Cash (used in) / generated from operations	**(26,388)**	37,512	**(92,075)**	(83,110)	**(118,463)**	(45,598)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows (continued)

	Note	Insurance Operations		Shareholders' Operations		Total	
		2022	2021	**2022**	2021	**2022**	2021
Due to insurance operations		**-**	-	**(65,347)**	(54,035)	**(65,347)**	(54,035)
Due from shareholders' operations		**65,347**	54,035	**-**	-	**65,347**	54,035
Zakat paid	14	**-**	-	**(3,909)**	(10,077)	**(3,909)**	(10,077)
Employees' end-of-service benefits paid	12	**(4,277)**	(4,462)	**-**	-	**(4,277)**	(4,462)
Net cash generated from / (used in) operating activities		**34,682**	87,085	**(161,331)**	(147,222)	**(126,649)**	(60,137)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net (placements) / maturity of Murabaha deposits		**(4,745)**	36,171	**(21,268)**	-	**(26,013)**	36,171
Proceeds from sale of available-for-sale investments		**59,064**	6,535	**23,565**	23,016	**82,629**	29,551
Additions to available-for-sale investments	8	**(50,000)**	(12,669)	**(12,884)**	(59,182)	**(62,884)**	(71,851)
Additions of property and equipment	13	**(1,219)**	(4,699)	**-**	-	**(1,219)**	(4,699)
Additions to investment held to maturity	9	**(4,855)**	-	**-**	(9,724)	**(4,855)**	(9,724)
Proceeds from matured investments held to maturity		**-**	-	**1,880**	-	**1,880**	-
Net cash (used in) / generated from investing activities		**(1,755)**	25,338	**(8,707)**	(45,890)	**(10,462)**	(20,552)
Net change in cash and cash equivalents		**32,927**	112,423	**(170,038)**	(193,112)	**(137,111)**	(80,689)
Cash and cash equivalents at the beginning of the year	4	**207,819**	203,466	**271,562**	356,604	**479,381**	560,070
Cash and cash equivalents at the end of the year	4	**240,746**	315,889	**101,524**	163,492	**342,270**	479,381
Supplemental non-cash information:							
Change in fair value of available-for-sale investments		**(1,506)**	1,388	**(6,536)**	(1,532)	**(8,042)**	(144)
Return on statutory deposit		**-**	-	**611**	472	**611**	472
Remeasurement gain / (loss) on end of service benefit obligation		**1,803**	(3,080)	**-**	-	**1,803**	(3,080)

27 INSURANCE PORTFOLIO SHARE

On June 25, 2020 the Company, signed the Inherent Defect Insurance (IDI) shared agreement with 12 other participating insurance companies relating to inherent defects insurance provides coverage against post usage detected defects in buildings and constructions. Malath as a leading company to manages the IDI portfolio on behalf of the participating insurance companies and will exclusively be entitled to management fees of managing the portfolio to be earned over the period of validity of the IDI agreement that is ending at June 24, 2025.

The participating insurance companies will account on their financials the IDI portfolio assets, liabilities, revenues and expenses relating to their share in the portfolio in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Malath has reported its share of the IDI transactions under the Property and Causality Segment.

28 SUBSEQUENT EVENTS

Management is in the proccess to approve a plan to sell a plot of land that other assets (Note 10.1) on December 2022. The company is actively marketing the asset and expects the sale to complete by the year of 2023. The company will classify the land as asset held for sale once the sale plan is final.

29 RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period. These changes were made for better presentation of balances and transactions in the financial statements. These changes do not have impact on the statement of income and retained earnings.

Financial statement item	Balance as previously stated SAR'000	Effect of restatement SAR'000	Balance as restated SAR'000
Prepayments and other assets	56,479	48,378	104,857
Policyholders claims payable	33,535	48,378	81,913

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on Shaban 30, 1444 H corresponding to March 22, 2023.