ALJAZIRA TAKAFUL TAAWUNI COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
As at 31 December 2022

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

Opinion

We have audited the financial statements of AlJazira Takaful Taawuni Company (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	**How the matter was addressed in our audit**

Valuation of technical insurance reserves
 	
The technical insurance reserves include the following:
- Outstanding claims reserves, consisting of reserves for:
  o Reported claims; and
  o Incurred But Not Reported (IBNR) claims
- Unit and mathematical reserves
- Premium deficiency reserve (PDR)
 	
The Company has technical insurance reserves amounting to SAR 1,426 million as of 31 December 2022 (2021: SAR 1,686 million).
	We performed the following procedures:
	
	- Understood, evaluated and tested key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded.
	
	- Evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence.

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

Key Audit Matters (continued)

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

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

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill The carrying value of the Company's goodwill amounted to SAR 233 million as of 31 December 2022 (2021: SAR 233 million). For impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use (cash-generating unit or CGU), which are largely independent of other assets or other CGUs. Management engaged an independent expert to carry out an impairment exercise as at 31 December 2022 in respect of goodwill by determining a recoverable amount based on market multiple approach and the value-in-use derived from a discounted cashflow model, which was based on the most recent business plan prepared by the management. We considered the impairment assessment of goodwill as a key audit matter due to significant judgments and assumptions made by the management in determining the appropriate carrying values. *Please refer to notes 3(c) for the accounting policy adopted by the Company and note 2(e) for the significant accounting judgements, estimates and assumptions involved. Also, refer to note 4 for the related disclosures.*	Our audit procedures included the following: - Obtained an understanding of management's process and the methodology for the impairment assessment of goodwill; - Assessed the methodology applied in independent expert's report and the conclusions reached therein; - Evaluated the competence, capabilities and objectivity of the management's external expert based on their professional qualifications and experience and assessed their independence; - Assessed the reliability and relevance of data used to calculate value-in-use calculations; - Involved our specialists for assessing the reasonableness of the key assumptions used in the value-in-use (VIU) calculations; and - Assessed the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

for KPMG Professional Services	**for Al Azem, Al Sudairy, Al Shaikh & Partners** for Professional Consulting
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30 March 2023
Corresponding to 08 Ramadan 1444H

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ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*31 December 2022 SAR'000*	*31 December 2021 SAR'000*
ASSETS			
Cash and cash equivalents	5	**263,185**	83,023
Premium receivable, net	6	**86,086**	20,286
Due from reinsurers, net		**4,187**	1,385
Reinsurers’ share of unearned premiums	14	**39,487**	25,716
Reinsurers’ share of outstanding claims	15	**39,747**	52,471
Reinsurers’ share of claims incurred but not reported	15	**12,419**	26,924
Deferred policy acquisition costs		**4,548**	2,686
Available for sale investments held to cover unit-linked liabilities	7	**1,278,506**	1,524,882
Investments	8	**605,840**	622,690
Due from a related party	22.2	**2,807**	60,788
Prepayments and other assets	17	**18,716**	79,261
Property and equipment	9	**3,415**	3,818
Intangible assets	10	**2,150**	3,562
Right of use assets		**3,005**	1,212
Goodwill	4	**232,948**	232,948
Statutory deposit	11	**55,000**	47,066
TOTAL ASSETS		**2,652,046**	2,788,718
LIABILITIES			
Accrued expenses and other liabilities	18	**120,175**	114,011
Lease liabilities		**3,035**	1,190
Payable to agents, policyholders and claimants		**33,979**	36,194
Unearned reinsurance commission		**1,406**	632
Reinsurance balances payable		**51,376**	34,389
Unearned premiums	14	**151,533**	76,567
Outstanding claims	15	**70,693**	81,740
Claims incurred but not reported	15	**48,631**	62,123
Premium deficiency reserve	13.2	**17,215**	9,617
Unit reserves	12	**1,283,743**	1,526,927
Mathematical reserve	13.1	**6,208**	5,468
Other technical reserves	13.3	**179**	259
Employee benefits	19	**5,576**	5,248
Zakat and income tax	25(b)	**2,908**	2,182
Due to a related party	22.3	**-**	984
Surplus from Insurance Operations		**13,912**	17,215
TOTAL LIABILITIES		**1,810,569**	1,974,746
EQUITY			
Share capital	20	**550,000**	550,000
Share premium	4	**197,286**	197,286
Statutory reserve	21	**48,303**	42,632
Retained earnings		**45,495**	22,812
TOTAL SHAREHOLDERS’ EQUITY		**841,084**	812,730
Remeasurement reserve of defined benefit obligation - related to Insurance Operations		**393**	1,242
TOTAL EQUITY		**841,477**	813,972
TOTAL LIABILITIES AND EQUITY		**2,652,046**	2,788,718
COMMITMENTS AND CONTINGENCIES	27		

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2022

	Notes	2022 SAR'000	2021 SAR'000
REVENUES			
Gross written premium	14	**415,621**	299,031
Investible premium	12	**(124,323)**	(125,493)
Reinsurance premium ceded – local	14	**(22,357)**	(8,889)
Reinsurance premium ceded – foreign	14	**(55,271)**	(49,776)
Excess of loss premiums	14	**(1,306)**	(24,147)
Net premium written		**212,364**	90,726
Change in unearned premium, net		**(61,195)**	62,823
Net premium earned		**151,169**	153,549
Reinsurance commission earned		**3,246**	1,980
Other underwriting income		**16,642**	18,319
TOTAL REVENUES		**171,057**	173,848
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	15	**(113,085)**	(177,741)
Reinsurers' share of claims paid	15	**38,205**	53,786
Net claims paid	15	**(74,880)**	(123,955)
Changes in outstanding claims, net		**(1,677)**	7,019
Changes in claims incurred but not reported, net		**(1,013)**	(318)
Net claims incurred	15	**(77,570)**	(117,254)
Changes in mathematical reserve	13.1	**(740)**	3,692
Changes in premium deficiency reserve	13.2	**(7,598)**	9,627
Changes in other technical reserves	13.3	**80**	18,607
Policy acquisition costs		**(11,008)**	(12,778)
Supervision and inspection fees		**-**	(363)
Other direct underwriting expenses		**(8,204)**	(7,108)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(105,040)**	(105,577)
NET UNDERWRITING INCOME		**66,017**	68,271

The accompanying notes 1 to 33 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME (continued)
For the year ended 31 December 2022

	Notes	2022 SAR'000	2021 SAR'000
NET UNDERWRITING INCOME – B/F		**66,017**	68,271
OTHER OPERATING (EXPENSES) / INCOME			
Impairment reversal / (loss) on premium receivable	6	**931**	(6,176)
General and administrative expenses	23	**(66,988)**	(68,814)
Commission income from held to maturity investments	8.1	**14,630**	12,071
Commission income on deposits		**1,565**	654
Unrealized gain on FVIS investments	8.2	**3,107**	1,340
Realized gain on FVIS investments		**309**	1,628
Dividends from FVIS investments		**140**	162
Other income	24	**12,162**	14,423
TOTAL OTHER OPERATING EXPENSES, NET		**(34,144)**	(44,712)
Income before surplus, zakat and income tax		**31,873**	23,559
Net income attributed to the Insurance Operations		**(1,589)**	(1,598)
Income for the year attributable to the shareholders before zakat and income tax		**30,284**	21,961
Zakat	25	**(1,000)**	(490)
Income tax	25	**(930)**	(51)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**28,354**	21,420
Weighted average number of ordinary shares outstanding (in thousands of shares)		**55,000**	52,650
Earnings per share for the year (SAR / share) (Basic and diluted)	26	**0.516**	0.407

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 SAR'000	2021 SAR'000
Net income for the year attributable to the shareholders		**28,354**	21,420
Other comprehensive income			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial (loss) / gain on defined benefit obligation – related to Insurance operations	19	**(849)**	1,654
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,505**	23,074

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Shareholders' equity						
	Share capital SAR'000	***Share premium SAR'000***	***Statutory reserve SAR'000***	***Retained earnings SAR'000***	***Total shareholders' equity SAR'000***	***Remeasurement reserve of defined benefit obligation – related to Insurance Operations SAR'000***	***Total equity SAR'000***
Balance as at 1 January 2022	**550,000**	**197,286**	**42,632**	**22,812**	**812,730**	**1,242**	**813,972**
Net income for the year attributable to the Shareholders	**-**	**-**	**-**	**28,354**	**28,354**	**-**	**28,354**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(849)**	**(849)**
Total comprehensive income for the year attributable to the shareholders	**-**	**-**	**-**	**28,354**	**28,354**	**(849)**	**27,505**
Transfer to statutory reserve (note 21)	**-**	**-**	**5,671**	**(5,671)**	**-**	**-**	**-**
Balance as at 31 December 2022	**550,000**	**197,286**	**48,303**	**45,495**	**841,084**	**393**	**841,477**

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022

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

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

ALJAZIRA TAKAFUL TAAWUNI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 SAR'000	2021 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income attributable to the shareholders before zakat and income tax		**30,284**	21,961
Adjustments for non-cash items:			
Net income attributed to the Insurance Operations		**1,589**	1,598
Impairment (reversal) / loss on premium receivable	6	**(931)**	6,176
Loss on disposal of property and equipment and derecognition of leases		**969**	1,784
Commission from held to maturity investments	8.1	**(14,630)**	(12,071)
Unrealized gain on FVIS investments	8.2	**(3,107)**	(1,340)
Realized gain on FVIS investments		**(309)**	(1,628)
Dividends from FVIS investments		**(140)**	(162)
Depreciation and amortization	23	**4,722**	4,852
Finance cost on lease liabilities		**69**	182
Provision for employee benefits	19	**1,086**	2,435
		19,602	23,787
Changes in operating assets and liabilities:			
Premium receivable		**(65,800)**	5,122
Due from reinsurers		**(2,802)**	9,577
Reinsurers' share of unearned premiums		**(13,771)**	1,938
Unearned premiums		**74,966**	(64,761)
Unearned reinsurance commission		**774**	(724)
Deferred policy acquisition costs		**(1,862)**	6,132
Reinsurers' share of outstanding claims		**12,724**	13,980
Reinsurers' share of claims incurred but not reported		**14,505**	(3,479)
Available for sale investments held to cover unit-linked liabilities		**246,376**	(181,059)
Due from a related party		**57,981**	(4,471)
Due to a related party		**(984)**	-
Prepayments and other assets		**60,545**	(45,752)
Accrued expenses and other liabilities		**6,164**	(28,446)
Payable to agents, policyholders and claimants		**(2,215)**	4,747
Reinsurers' balances payable		**16,987**	10,916
Outstanding claims		**(11,047)**	(20,999)
Claims incurred but not reported		**(13,492)**	3,797
Unit reserves		**(243,184)**	177,563
Mathematical reserve		**740**	(3,692)
Premium deficiency reserve		**7,598**	(9,627)
Other technical reserves		**(80)**	(18,607)
Cash generated from / (used in) operations		**163,725**	(124,058)
Release of short-term deposit acquired as a result of business combination	4.1.1	-	37,500
Increase in statutory deposit	11	**(7,934)**	(12,066)
Zakat and income tax paid	25	**(1,204)**	(3,039)
Employee benefits paid	19	**(1,607)**	(1,789)
Distribution of surplus to policyholders		**(4,892)**	(261)
Net cash generated from / (used in) operating activities		**148,088**	(103,713)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from maturity of held to maturity investments	8.1	**16,386**	151,864
Proceeds from disposal of FVIS investments		**230,000**	173,485
Purchase of held to maturity investments	8.1	**(60,915)**	(149,202)
Purchase of FVIS investments	8.2	**(166,000)**	(264,950)
Commission received from held to maturity investments	8.1	**15,425**	31,442
Dividends from FVIS investments		**140**	162
Cash and cash equivalents acquired due to business combination	4	-	140,850
Proceeds from disposal of property and equipment		-	170
Purchase of property and equipment	9	**(1,905)**	(568)
Net cash generated from investing activities		**33,131**	83,253
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		**(1,057)**	(2,549)
Net cash used in financing activities		**(1,057)**	(2,549)
Net increase / (decrease) in cash and cash equivalents		**180,162**	(23,009)
Cash and cash equivalents at the beginning of the year		**83,023**	106,032
Cash and cash equivalents at the end of the year	5	**263,185**	83,023

Chairman

Managing Director

Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these financial statements.

1. GENERAL

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

Branch	***CR Number***	***Date***
Riyadh	1010435872	13 Shawwal 1436
Madinah	4650081845	21 Rabi' Al-Awal 1438
AlKhobar	2051224259	24 Jumada Al-Awal 1440

The registered office address of the Company is:

Al Musadia Plaza (3), Al Madinah Road,
P.O. Box 5215, Jeddah 21422, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance products that include protection and saving insurance products and related services in accordance with its By-Laws and applicable regulations in the Kingdom of Saudi Arabia. On 13 Jumada al-Thani 1442H (corresponding to 26 January 2021), the Company amended its By-Laws to include the objective of practicing general insurance and health insurance business. The Company received license number TMN/34/201312 dated 15 Safar 1435H (corresponding to 18 December 2013) from the Saudi Central Bank (SAMA) to conduct insurance business. The Company is owned 97.9% by Saudi shareholders' and the general public subject to Zakat and 2.10% by non-Saudi shareholders subject to income tax.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: property and equipment, intangible assets, right of use assets, goodwill, statutory deposit, employee benefits, lease liabilities, outstanding claims, claims incurred but not reported, premium deficiency reserve, unit reserves, mathematical reserve, and other technical reserves. All other financial statement line items would generally be classified as current, unless, stated otherwise.

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

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

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

b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Fiscal year

The Company follows a fiscal year ending 31 December.

(e) Critical judgments, accounting estimates and assumptions

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

2. BASIS OF PREPARATION (continued)

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

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

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

The ultimate liability arising from claims made under insurance contracts

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

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

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

The Company has appointed a qualified actuary who supports in reviewing and providing recommendations with regard to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary, who is currently external and independent from the Company. A range of methods was used by the appointed actuary to determine these claims, such as Chain Ladder Method, Bornhuetter-Ferguson Method, and Expected Loss Ratio Method are used by the actuary to determine these provisions. Actuary had also used a segmentation approach, including analysing cost per member per year for the medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Estimation of premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the company's external, consider the claims and premiums relationship, which is expected to apply on unearned portion of the written risks, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

The ultimate liability arising under unit reserve and mathematical reserves

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

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

2. BASIS OF PREPARATION (continued)

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

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

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

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

Impairment of receivables

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

Impairment of non-financial assets

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

Going concern

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

(f) Seasonality of operations

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021, except for the adoption of the amendments to existing standards which has had no material impact on the financial statements of the Company as follows:

a) Amendments to existing accounting standards

The Company has adopted the following amendment and revision to existing standards and interpretations, which were issued by the International Accounting Standards Board (IASB), have been effective for the first time in 2022 and are accordingly adopted by the Company:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Amendments to existing accounting standards (continued)

Standard / Interpretation	***Description***
IAS 37	*Onerous Contracts – Cost of Fulfilling a Contracts (Amendments to IAS 37)*
Annual Improvements	*Annual Improvements to IFRS Standards 2018–2020*
IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
IFRS 3	*Reference to the Conceptual Framework (Amendments to IFRS 3)*

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

b) Standards issued but not yet effective

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	*Financial Instruments*	*See note below*
IFRS 17	*Insurance Contracts*	*See note below*
IAS 1	*Classification of Liabilities as Current or Non-current – Amendments to IAS 1*	*1 January 2023*
IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	*1 January 2023*
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	*The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.*	*1 January 2023*
IFRS 16	*Lease liability in a sale and leaseback – Amendments to IFRS 16*	*1 January 2024*
IFRS 10 and IAS 28	*Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)*	*Available for optional adoption / effective date deferred indefinitely*

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 01 January 2023. These standards will bring significant changes to the operational accounting for insurance and reinsurance contracts and financial instruments and presentation of financial statement and are expected to have a material impact on the Company's financial statements in the period of initial application.

A. IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 01 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

I. Structure and status of the Implementation project

IFRS 17 implementation project is in progress under the governance of a steering committee. To ensure that insurance companies implement IFRS 17 to a high standard, SAMA issued circular 172, dated 20 December 2018 directing all insurance companies to execute a four-phased approach comprising gap assessment, financial impact assessment, implementation plan and multiple dry runs. The Company has submitted the implementation plan and dry-run results to SAMA.

II. 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 IFRS 17 i.e. 01 January 2023:

a) Contracts within or outside the scope of IFRS 17

When identifying contracts within the scope of IFRS 17, in some cases, the Company has assessed whether a set or series of contracts need to be treated as a single contract and whether the embedded derivatives, investment component and goods and services component have to be separated and accounted for under another standard. For insurance and reinsurance contacts, the Company does not expect significant changes arising from the application of these requirements. Therefore, all insurance contracts issued and reinsurance contracts held are within the scope of IFRS 17. Further, the Company does not have embedded derivatives in insurance contracts written and/or reinsurance contracts held.

b) Combination / Unbundling of Contracts

The Company does not underwrite any insurance contracts that contain embedded derivatives or distinct investment components. Currently, the Company's insurance portfolios do not contain any non-insurance components that will need to be unbundled from insurance contracts.

c) Level of Aggregation

Under IFRS 17, insurance contracts and investment contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by Company are expected to be in different portfolios. Each portfolios are further divided based on expected profitability at inception into three categories:

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

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

d) Measurement – Overview

IFRS 17 provides the following different measurement models:

1. The General Measurement Model (GMM): The general measurement model (GMM), also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. There is no group of contracts that are expected to be measured under the general measurement model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

II. Significant Judgements and Accounting Policy Choices (continued)

d) Measurement – Overview (continued)

2. The Variable Fee Approach (VFA): VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at the inception of the contract and not reassessed subsequently. Life products (unit-linked) are measured using a variable fee approach since these products meet the following qualifying criteria:
   - the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
   - the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
   - the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

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

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

3. Premium Allocation Approach (PAA): PAA is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less.

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

- the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general requirement; or
- the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company uses the PAA to simplify the measurement of groups of contracts on the following bases:

- **<u>Insurance contracts:</u>**
  The coverage period for most of the group of contracts in non-life and group life business is one year or less. PAA eligibility test has been performed for the remaining group of contracts. The Company reasonably expects that the resulting measurement would not differ materially from the result of applying the accounting policies for general measurement model.
- **<u>Reinsurance contracts:</u>**
  The Company reasonably expects that the resulting measurement under the PAA measurement model would not differ materially from the result of applying the general measurement model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

II. Significant Judgements and Accounting Policy Choices (continued)

d) Measurement – Overview (continued)

Measurement:
On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition less insurance acquisition cash flows paid.

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

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

Onerous contract assessment:
If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in insurance serve expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the fulfillment cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

e) Significant Judgements and Estimates

i. Discounting Methodology:
Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The bottom-up approach was used to derive the discount rate. Under this approach, the USD based risk free discount rates by EIOPA were used as a starting point for preparing the yield curve. The Company then further added a KSA country risk premium from the source to make the yield curve appropriate for application.. However, the Company is using a top-down approach for Protection and Savings Portfolio, with expected investment return as the discount rate, adjusted for the investment risk.

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.

ii. Risk adjustments for non-financial risk:
The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the insurance contract is fulfilled.

As the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Company's degree of risk aversion.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

II. Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates (continued)

ii. Risk adjustments for non-financial risk (continued):
The Value at Risk (VAR) method was used to derive the overall risk adjustment for non-financial risk, with a level of confidence threshold of 75%. For Life Products, the stresses at each confidence level have been calibrated using the Solvency II SCR stress factors at the 99.5% confidence level and assuming that the stresses are normally distributed to adjust these to the 75% confidence level. The resulting stresses are applied as a margin to each of the expected best estimate assumptions used to determine the cash flows. The risk adjustment has then been set as the difference between the liability with margins and the liability without margins.

For the Company's non-life portfolio, widely used and accepted stochastic methods such as the mack method and Stochastic Bornheutter-Ferguson have been used to calculate the risk adjustment for Insurance Contracts. At a high level, these approaches are used for assessing the inherent variability of claims reserves and are principally statistical resampling techniques that use historical observations to create stochastic scenarios where pseudo samples (or data sets) are created from the original data using re-sampling.

The risk adjustment for Non-life Reinsurance portfolios has been determined using the standard parameters for Reserve Risk as specified under solvency II.

iii. Contractual Service Margin:
The CSM of a group of contracts is recognized in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

The Company is using Sum Assured as coverage units for the amortization of CSM. The coverage units used to amortize CSM is "Total Sum at Risk" for the Company's portfolio excluding Bank Aljazira and "Sum Assured" for Bank Aljazira portfolio.

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

- Pricing information;
- Results of similar contracts the Company has recognized; and
- Environmental factors for e.g., a change in market experience or regulations.

v. Provision for Doubtful Debts – (Expected Premium receipt adjustment):
Insurance revenue is adjusted with the amount of expected receipts adjustment calculated on premium not yet collected as at the date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate expected credit loss (ECL) allowance.

vi. Reinsurer default provision – (Non-performance risk):
The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of non-performance risk of the reinsurer is assessed at each reporting date and effect of changes in non-performance risk is recognised under reinsurance finance income / expenses in the statement of profit or loss. The computation is performed using IFRS 9 simplified approach to calculate expected credit loss (ECL) allowance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

II. Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates (continued)

vii. Value Added Tax (VAT) treatment:
Transaction based taxes (Such as premium taxes, value added taxes, and goods and services taxes) and levies that arise directly from existing insurance contracts or that can be attributed to them on a reasonable and consistent basis. These are part of fulfillment cash flows within the boundary of insurance contracts.

viii. Estimates of future cash flows:
In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices. When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

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

f) Accounting Policy Choices

i. Length of Cohorts:
Under the guidance of the IFRS 17, entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business. The Company has decided the length of the cohort to be on an annual basis.

ii. Use of Other Comprehensive Income (OCI) for insurance finance income or expense:
In reference to the presentation in the statement of income – Insurance finance income or expense, the Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.

iii. Unwinding of Discount on Risk Adjustment:
In reference to the presentation in the statement of income – in respect of the disaggregation of risk adjustment, the Company has decided that the entire risk adjustment will be presented in the insurance service results.

iv. Expenses Attribution:
The Company performs regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

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

g) Presentation and Disclosure

i. 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. All rights and obligations arising from portfolio of contracts will be presented on net basis, therefore, insurance receivables and payables balances will not be presented separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

A. IFRS 17 Insurance Contracts (continued)

II. Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure (continued)

ii. Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance Contracts and for Reinsurance Held (For all measurement models);

iii. Reconciliation of the measurement components of Insurance/ Reinsurance Held contract balances (for GMM/VFA only);

iv. Analysis of Insurance Revenue (for GMM/VFA only);

v. Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held (for GMM/VFA only);

vi. Sensitivity analysis: approach and variables used (all measurement models);

vii. The Company does not disaggregate part of the movement in insurance contract liability (LIC and LFRC) resulting from changes in discount rates and financial risk from profit or loss and present this in OCI;

viii. 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.

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

x. IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts, as well as disclosures about significant judgments made when applying IFRS 17.

xi. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

h) Transition

At 1 January 2022, the Company will apply the following approaches to identify and measure certain groups of contracts:

i. All groups of contracts in non-life line of business and group life line of business: Full Retrospective Approach (FRA) is applied;
ii. For individual life line of business:
    - Individual unit-linked (AJT portfolio): Modified Retrospective Approach (MRA) is applied; and
    - Individual unit-linked (BAJ portfolio): Fair-Value Approach (FVA) is applied.

Estimated impact of the adoption of the Standard:
The Company is in the process of assessing and validating the quantitative impact of applying the IFRS 17. The final impacts on total equity as at 1 January 2022 and 1 January 2023 are currently being estimated and shall be disclosed in the condensed interim financial statements for the period ending 31 March 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

B. IFRS 9 Financial Instruments

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

1. Financial assets – Classification

The Company conducted a preliminary IFRS 9 Classification and Measurement assessment ("C&M") for the financial assets held as at December 31, 2021. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVSI"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, and for investment in equity instruments, a financial asset is classified on the basis of both:

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

The classification and measurement review exercise in the Company consists of two parts:

- A business model assessment based on fact patterns discussed in the classification and measurement workshop and agreed with management; and
- A contractual cash flows characteristics assessment based on a thorough desk-based review of a sample of specifically selected contracts to provide a provisional conclusion on whether or not the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the "SPPI assessment").

The new classification requirements are not expected to have a material impact on the Company's total equity at 1 January 2022.

2. Financial assets – Impairment

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset, whereas 12-month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

ECL is computed based on the parameters, namely Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) values. ECL is discounted to present value.

Probability of Default ('PD'): The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD'): Loss given default inputs are determined by class of financial instrument based on the historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD'): The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate: While estimating the ECL, the Group will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

B. IFRS 9 Financial Instruments (continued)

2. Financial assets – Impairment (continued)

Financial assets that are subject to impairment consist of the following:
- Cash and cash equivalent;
- Investment in debt Instruments;
- Statutory deposits; and
- Prepayments and other assets.

The Company's total equity is impacted by the IFRS 9 impairment requirements only to the extent of any loss allowances on financial assets measured at amortised cost.

3. Financial liabilities

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

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
- The remaining amount of the change in the fair value will be presented in the statement of income.

There is no impact expected on financial liabilities as a result of the transition to IFRS 9.

4. Transition

The Company is in the process of assessing and validating the quantitative impact of applying the IFRS 9. The final impact on total equity as at 1 January 2022 and 1 January 2023 is currently being estimated and shall be disclosed in the condensed interim financial statements for the period ending 31 March 2023.

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

Cash and cash equivalents

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

Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating segments

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

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

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

Premium receivable and due from reinsurers

Premium receivable and due from reinsurers are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Premium receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Subsequent recoveries of amounts previously written off are credited in the statement of income. These receivables fall under the scope of IFRS 4 "Insurance Contracts".

Reserve for insurance activities

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

Statutory reserve

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Business combinations

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

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

Available for sale investments held to cover unit-linked liabilities

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

Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Fair Value through Income Statement (FVIS) Investments

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

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

Fair values of FVIS Investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Property and equipment

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property and equipment (continued)

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

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

Intangible assets and goodwill

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

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

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

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

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

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

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

The estimated useful lives are as follows:

	Years
Computer software	4 to 8 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leases

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

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

Right of use assets

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

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

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

Lease Liabilities

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

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

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

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

Short-term leases and leases of low-value assets

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

Prepayments and other assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accruals and other liabilities

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

Provisions

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

Employee benefits

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

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

Reinsurance balances payable

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

Premiums deposit

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

Zakat and income tax

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Zakat and income tax (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of financial assets

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

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

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

Impairment of non-financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial instruments – recognition and measurement

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

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

Date of recognition

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

Recognition and measurement of financial instruments

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

Financial instruments – De-recognition

Financial assets

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

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

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

Financial liabilities

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

Offsetting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Trade date accounting

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

Liability adequacy test

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

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

Contingent liability

Contingent liability is:

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

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

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

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

Revenue recognition

Recognition of premium and commission revenue

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenue recognition (continued)

Investment income

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

Dividend income

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

Rebate income

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

Reinsurance

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

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

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

Claims

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

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

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

Salvage and subrogation reimbursement

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred policy acquisition costs

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

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

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

Acquisition fees

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

Expenses

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

Dividend distribution

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

Surrenders and maturities

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

Product classification of life insurance contracts

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

Insurance contracts

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investment contracts

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

Foreign currencies

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

Goodwill

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

4. BUSINESS COMBINATION AND GOODWILL

4.1 Merger with Solidarity

As disclosed in note 1, on 28 February 2021, the Company completed a statutory merger with Solidarity during the year ended 31 December 2021. Following the merger, the assets, liabilities and all the business activities of Solidarity were transferred to the Company in exchange for newly issued shares of the Company. The purchase consideration was determined to be SAR 317,950 thousand, which consisted of the issue of 12,066,403 new shares to the shareholders of Solidarity. The fair value of the newly issued shares of the Company was determined based on the closing market price of the ordinary shares of SAR 26.35 per share on the Saudi Exchange on the last trading date prior to the merger date of 28 February 2021. As a result, there was an increase in share capital and share premium of SAR 120,664 thousand and SAR 197,286 thousand, respectively, during the year ended 31 December 2021.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations with the Company being the acquirer and Solidarity being the acquiree. The Company had accounted for the merger based on fair values of the acquired assets and assumed liabilities as of 28 February 2021 ("merger date"). During the year ended 31 December 2021, the Company completed the process of allocating the purchase consideration to the identifiable assets and liabilities in accordance with the requirements of IFRS 3. Accordingly, goodwill amounting to SAR 232,948 thousand is recognised in the statement of financial position as a net result of purchase consideration paid amounting to SAR 317,950 thousand and fair value of net assets acquired amounting to SAR 85,002 thousand (refer below).

4. BUSINESS COMBINATION (continued)

4.1 Merger with Solidarity (continued)

Identifiable assets acquired and liabilities assumed

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

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

Purchase consideration	**317,950**
Fair value of Solidarity's net assets at the merger date	**(85,002)**
Goodwill arising from the merger	232,948

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

4. BUSINESS COMBINATION (continued)

4.2 Impairment assessment of goodwill

As at 31 December 2022, an independent impairment study was conducted in accordance with the requirements of the International Accounting Standard (IAS 36) to review the carrying amounts of goodwill recognised. For the impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Management considers the overall insurance portfolios of the Company as one CGU. The management reviews goodwill annually for impairment testing.

The recoverable amount has been determined based on value in use. As at the reporting date, impairment testing based on expected discounted cash flows was performed. Value in use is based on the estimated future cash flows based on 5-year management's formal business plan projected up to the year 2027, discounted to their present value using the following key assumptions:

Key assumptions	2022	2021
Projected EBITDA margin (average of next five years)	**12%**	**10%**
Discount rate	**10.17%**	**13.2%**
Terminal value growth rate	**2.5%**	**2%**

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

Sensitivity to changes in key assumptions:

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

i) Projected EBITDA margin:

The projected EBITDA margin in the forecasted period has been estimated to be at an average of 12% (2021: 10%). If all other assumptions kept the same; a reduction of margin to 7% (2021: 8%) would give a value-in-use equal to the current carrying amount.

ii) Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 10.17% (2021: 13.2%). If all other assumptions kept the same; an increase in discount rate by 7.6% (2021: 8.9%) would give a value-in-use equal to the current carrying amount.

iii) Terminal value growth rate:

If all other assumptions remain constant; a decrease in projected terminal value growth rate in the forecasted period to 0% would give a value-in-use which exceeds the carrying value by SAR 465,888 thousand (2021: SAR 127,536 thousand).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2022			*2021*		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Cash in hand	**30**	**-**	**30**	35	-	35
Cash at banks	**184,609**	**78,546**	**263,155**	77,593	5,395	82,988
Total	**184,639**	**78,546**	**263,185**	77,628	5,395	83,023

Cash and cash equivalents include amounts of SAR 214,618 thousand (2021: SAR 39,169 thousand) which is held with Bank AlJazira "the founding shareholder".

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

6. PREMIUM RECEIVABLE, NET

	2022 SAR'000	*2021 SAR'000*
Insurance Operations		
Policyholders	**37,014**	27,050
Brokers and agents	**5,378**	5,886
Related parties (note 22.4)	**64,646**	9,233
Gross premium receivable	**107,038**	42,169
Provision for impairment loss	**(20,952)**	(21,883)
Premium receivable, net	**86,086**	20,286

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

	2022 SAR'000	*2021 SAR'000*
Balance at the beginning of the year	**21,883**	202
Acquired due to business combination (note 4)	**-**	15,505
(Reversal) / provision during the year	**(931)**	6,176
Balance at the end of the year	**20,952**	21,883

6. PREMIUM RECEIVABLE, NET (continued)

During the year, a (reversal) / provision for impairment of SAR (931) thousand (2021: SAR 6,176 thousand) was created in respect of gross premium receivable. The age analysis of gross premium receivable arising from insurance contracts is as follows:

		Past due but not impaired	*Past due and Impaired*			
	Neither past due nor impaired	*From 1 to 3 months*	*Above 3 and up to 6 months*	*Above 6 and up to 12 months*	*Above 12 months*	*Total*
	SAR'000					
2022	**6,530**	**70,811**	**4,224**	**4,994**	**20,479**	**107,038**
2021	4,586	6,497	3,984	4,848	22,254	42,169

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

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

Insurance Operations

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

Insurance Operations	*Denomination*	*2022 SAR'000*	*2021 SAR'000*
AlJazira Saudi Riyal Murabaha Fund	SAR	**148,585**	151,981
AlJazira Diversified Aggressive Fund	SAR	**211,504**	225,949
AlJazira Diversified Balanced Fund	SAR	**65,521**	65,262
AlJazira Saudi Equities Fund	SAR	**337,672**	364,509
AlJazira Diversified Conservative Fund	SAR	**21,402**	17,227
AlJazira International Equities Fund	USD	**181,837**	258,520
AlJazira European Equities Fund	USD	**151,413**	199,517
AlJazira Japanese Equities Fund	USD	**160,572**	241,917
Total		**1,278,506**	1,524,882

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

	2022 SAR'000	*2021 SAR'000*
Balance at the beginning of the year	**1,524,882**	1,343,823
Redemption during the year, net	**(47,540)**	(35,846)
Changes in fair value during the year (note 12)	**(198,836)**	216,905
Balance at the end of the year	**1,278,506**	1,524,882

8. INVESTMENTS

	2022			*2021*		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Held to maturity investments (note 8.1)	**-**	**510,549**	**510,549**	-	466,815	466,815
FVIS investments (note 8.2)	**56,394**	**38,897**	**95,291**	119,459	36,416	155,875
Total	**56,394**	**549,446**	**605,840**	119,459	503,231	622,690

8.1 Held to maturity investments

Held to maturity investments represent sukuks of SAR 510,549 thousand (2021: SAR 466,815 thousand) with a maturity of 12 to 30 years. The average coupon rate on these sukuks ranges between 1.83% to 5.65% per annum (2021: 1.83% to 5.65%).

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

2022	***Insurance operations SAR'000***	***Shareholders' operations SAR'000***	***Total SAR'000***
Balance at the beginning of the year	**-**	**466,815**	**466,815**
Placements during the year	**-**	**60,915**	**60,915**
Commission from held to maturity investments	**-**	**14,630**	**14,630**
Commission received from held to maturity investments	**-**	**(15,425)**	**(15,425)**
Matured during the year	**-**	**(16,386)**	**(16,386)**
Balance at the end of the year	**-**	**510,549**	**510,549**

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

8. INVESTMENTS (continued)

8.2 FVIS investments

The fair value through income statement ("FVIS") investments represent investments in mutual funds managed by 'AlJazira Capital', a founding shareholder, amounting to SAR 89,896 thousand (2021: SAR 150,388 thousand), investment in quoted equity shares amounting to SAR 3,472 thousand (2021: SAR 3,564 thousand) and investment in Najm, amounting to SAR 1,923 thousand (2021: SAR 1,923 thousand).

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

2022	*Insurance operations SAR'000*	*Shareholders' Operations SAR'000*	*Total SAR'000*
Balance at the beginning of the year	**119,459**	**36,416**	**155,875**
Purchases during the year	**35,000**	**131,000**	**166,000**
Disposals during the year	**(99,875)**	**(129,816)**	**(229,691)**
Unrealized gain	**1,810**	**1,297**	**3,107**
Balance at the end of the year	**56,394**	**38,897**	**95,291**

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

9. PROPERTY AND EQUIPMENT

	Leasehold improvements SAR'000	*Furniture and fixtures SAR'000*	*Computers and office equipment SAR'000*	*Motor Vehicles SAR'000*	*Total 2022 SAR'000*	*Total 2021 SAR'000*
Cost:						
At the beginning of the year	**76**	**1,520**	**13,928**	**514**	**16,038**	2,192
Acquired due to business combination (note 4)	**-**	**-**	**-**	**-**	**-**	27,030
Additions	**-**	**114**	**1,791**	**-**	**1,905**	568
Disposals	**-**	**-**	**-**	**-**	**-**	(13,752)
As at 31 December	**76**	**1,634**	**15,719**	**514**	**17,943**	16,038
Accumulated depreciation:						
At the beginning of the year	**44**	**307**	**11,376**	**493**	**12,220**	462
Acquired due to business combination (note 4)	**-**	**-**	**-**	**-**	**-**	22,583
Charge for the year	**17**	**166**	**2,104**	**21**	**2,308**	2,257
Disposals	**-**	**-**	**-**	**-**	**-**	(13,082)
As at 31 December	**61**	**473**	**13,480**	**514**	**14,528**	12,220
Net book value						
As at 31 December	**15**	**1,161**	**2,239**	**-**	**3,415**	3,818

10. INTANGIBLE ASSETS

	2022 *SAR'000*	*2021* *SAR'000*
Cost:		
At the beginning of the year	**15,615**	-
Acquired due to business combination (note 4)	**-**	15,615
As at 31 December	**15,615**	15,615
Accumulated depreciation:		
At the beginning of the year	**12,053**	-
Acquired due to business combination (note 4)	**-**	10,855
Charge for the year	**1,412**	1,198
As at 31 December	**13,465**	12,053
Net book value		
As at 31 December	**2,150**	3,562

11. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10% of its share capital amounting to SAR 55,000 thousand as at 31 December 2022 (2021: SAR 47,066 thousand) in a bank designated by SAMA. As a result of an increase in the Company's share capital due to the bonus share issue on 30 November 2021, the Company deposited a further amount of SAR 7,934 thousand during the year ended 31 December 2022.

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

12. UNIT RESERVES

	2022 *SAR'000*	*2021* *SAR'000*
Balance at the beginning of the year	**1,526,927**	1,349,364
Investible premium	**124,323**	125,493
Surrenders	**(135,049)**	(132,884)
Maturities	**(33,622)**	(31,951)
Change in fair value of available for sale investments (note 7)	**(198,836)**	216,905
Balance at the end of the year	**1,283,743**	1,526,927

13. MATHEMATICAL, PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES

	2022 *SAR'000*	*2021* *SAR'000*
Mathematical reserve (note 13.1)	**6,208**	5,468
Premium deficiency reserve (note 13.2)	**17,215**	9,617
Other technical reserves (note 13.3)	**179**	259
	23,602	15,344

13. MATHEMATICAL PREMIUM DEFICIENCY AND OTHER TECHNICAL RESERVES (continued)

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

13.1 Mathematical reserve

	2022 ***SAR'000***	*2021* *SAR'000*
Balance at the beginning of the year	**5,468**	9,160
Changes in mathematical reserve, net	**740**	(3,692)
Balance at the end of the year	**6,208**	5,468

13.2 Premium deficiency reserve

	2022 ***SAR'000***	*2021* *SAR'000*
Balance at the beginning of the year	**9,617**	-
Acquired due to business combination (note 4)	**-**	19,244
Changes in premium deficiency reserve	**7,598**	(9,627)
Balance at the end of the year	**17,215**	9,617

13.3 Other technical reserves

	2022 ***SAR'000***	*2021* *SAR'000*
Balance at the beginning of the year	**259**	322
Acquired due to business combination (note 4)	**-**	18,544
Changes in other technical reserves, net	**(80)**	(18,607)
Balance at the end of the year	**179**	259

14. UNEARNED PREMIUMS

	Year ended 31 December 2022			*Year ended 31 December 2021*		
	Gross ***SAR'000***	***Reinsurers' share*** ***SAR'000***	***Net*** ***SAR'000***	*Gross* *SAR'000*	*Reinsurers' share* *SAR'000*	*Net* *SAR'000*
Balance at the beginning of the year	**76,567**	**(25,716)**	**50,851**	34,533	(17,423)	17,110
Acquired due to business combination (note 4)	**-**	**-**	**-**	106,795	(10,231)	96,564
Premium written / (ceded) during the year	**415,621**	**(78,934)**	**336,687**	299,031	(82,812)	216,219
	492,188	**(104,650)**	**387,538**	440,359	(110,466)	329,893
Investible premium and premium earned during the year	**(340,655)**	**65,163**	**(275,492)**	(363,792)	84,750	(279,042)
Balance at the end of the year	**151,533**	**(39,487)**	**112,046**	76,567	(25,716)	50,851

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

	Year ended 31 December 2022			*Year ended 31 December 2021*		
	Gross SAR'000	**Reinsurers' share SAR'000**	**Net SAR'000**	*Gross SAR'000*	*Reinsurers' share SAR'000*	*Net SAR'000*
At the beginning of the year						
Reported claims	**81,740**	**(52,471)**	**29,269**	49,226	(43,483)	5,743
IBNR	**62,123**	**(26,924)**	**35,199**	17,835	(15,164)	2,671
	143,863	**(79,395)**	**64,468**	67,061	(58,647)	8,414
Incurred during the year	**88,546**	**(10,976)**	**77,570**	160,539	(43,285)	117,254
Acquired due to business combination (note 4)	**-**	**-**	**-**	94,004	(31,249)	62,755
(Paid) / recovered during the year	**(113,085)**	**38,205**	**(74,880)**	(177,741)	53,786	(123,955)
At the end of the year	**119,324**	**(52,166)**	**67,158**	143,863	(79,395)	64,468
At the end of the year						
Reported claims	**70,693**	**(39,747)**	**30,946**	81,740	(52,471)	29,269
IBNR	**48,631**	**(12,419)**	**36,212**	62,123	(26,924)	35,199
	119,324	**(52,166)**	**67,158**	143,863	(79,395)	64,468

16. CLAIMS DEVELOPMENT TABLE

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

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

16. CLAIMS DEVELOPMENT TABLE (continued)

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

Gross *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	792,077	123,066	287,934	308,297	162,510	**96,257**	
One year later	707,109	160,835	341,896	357,992	165,528		
Two years later	710,963	164,257	345,346	360,560			
Three years later	717,430	164,445	347,272				
Four years later	718,842	164,352					
Five years later	722,728						
Current estimate of cumulative claims incurred	722,728	164,352	347,272	360,560	165,528	**96,257**	**1,856,697**
Cumulative payments to date	(711,476)	(154,265)	(339,129)	(350,953)	(158,570)	**(71,611)**	**(1,786,004)**
Total reported claims	11,252	10,087	8,143	9,607	6,958	**24,646**	**70,693**
IBNR (note 15)							**48,631**
Total gross outstanding claims (note 15)							**119,324**

Net *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	691,680	89,826	237,349	247,869	131,311	**71,013**	
One year later	610,929	115,744	287,096	291,605	136,037		
Two years later	614,047	118,006	289,050	293,497			
Three years later	616,187	118,189	291,780				
Four years later	616,972	118,191					
Five years later	616,796						
Current estimate of cumulative claims incurred	616,796	118,191	291,780	293,497	136,037	**71,013**	**1,527,314**
Cumulative payments to date	(613,892)	(114,703)	(289,511)	(288,082)	(132,608)	**(57,572)**	**(1,496,368)**
Total reported claims	2,904	3,488	2,269	5,415	3,429	**13,441**	**30,946**
IBNR, net (note 15)							**36,212**
Total net outstanding claims (note 15)							**67,158**

16. CLAIMS DEVELOPMENT TABLE (continued)

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

Gross *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	63,967	6,226	20,746	29,925	30,579	**26,842**	
One year later	66,888	19,657	25,459	36,990	29,987		
Two years later	67,940	20,921	27,135	37,249			
Three years later	72,762	20,926	26,665				
Four years later	73,493	20,827					
Five years later	76,861						
Current estimate of cumulative claims incurred	76,861	20,827	26,665	37,249	29,987	**26,842**	**218,431**
Cumulative payments to date	(70,051)	(16,813)	(22,408)	(32,401)	(25,625)	**(16,885)**	**(184,183)**
Total reported claims	6,810	4,014	4,257	4,848	4,362	**9,957**	**34,248**
IBNR							**9,465**
Total gross outstanding claims							**43,713**

Net *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	6,426	906	2,142	3,463	4,794	**4,319**	
One year later	7,001	2,555	2,791	5,250	4,619		
Two years later	7,317	2,659	2,971	4,353			
Three years later	7,813	2,659	2,885				
Four years later	7,917	2,617					
Five years later	7,764						
Current estimate of cumulative claims incurred	7,764	2,617	2,885	4,353	4,619	**4,319**	**26,557**
Cumulative payments to date	(7,176)	(2,249)	(2,292)	(2,971)	(3,720)	**(3,036)**	**(21,444)**
Total reported claims	588	368	593	1,382	899	**1,283**	**5,113**
IBNR, net							**2,432**
Total net outstanding claims							**7,545**

16. CLAIMS DEVELOPMENT TABLE (continued)

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

Gross *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	728,110	116,840	267,188	278,372	131,931	**69,415**	
One year later	640,221	141,178	316,437	321,002	135,541		
Two years later	643,023	143,336	318,211	323,311			
Three years later	644,668	143,519	320,607				
Four years later	645,349	143,525					
Five years later	645,867						
Current estimate of cumulative claims incurred	645,867	143,525	320,607	323,311	135,541	**69,415**	**1,638,266**
Cumulative payments to date	(641,425)	(137,452)	(316,721)	(318,552)	(132,945)	**(54,726)**	**(1,601,821)**
Total reported claims	4,442	6,073	3,886	4,759	2,596	**14,689**	**36,445**
IBNR							**39,166**
Total gross outstanding claims							**75,611**

Net *Accident year*	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	***2022***	***Total***
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	***SAR'000***	***SAR'000***
At end of accident year	685,254	88,920	235,207	244,406	126,517	**66,694**	
One year later	603,928	113,189	284,305	286,355	131,418		
Two years later	606,730	115,347	286,079	289,144			
Three years later	608,374	115,530	288,895				
Four years later	609,055	115,574					
Five years later	609,032						
Current estimate of cumulative claims incurred	609,032	115,574	288,895	289,144	131,418	**66,694**	**1,500,757**
Cumulative payments to date	(606,716)	(112,454)	(287,219)	(285,111)	(128,888)	**(54,536)**	**(1,474,924)**
Total reported claims	2,316	3,120	1,676	4,033	2,530	**12,158**	**25,833**
IBNR, net							**33,780**
Total net outstanding claims							**59,613**

17. PREPAYMENTS AND OTHER ASSETS

	2022			2021		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Amounts held for investments with Custodians	-	-	-	-	55,793	55,793
Advances and other receivables	**9,535**	**634**	**10,169**	13,220	11	13,231
Prepaid expenses	**832**	**116**	**948**	1,616	6	1,622
Other assets	**7,227**	**372**	**7,599**	8,269	346	8,615
Total	**17,594**	**1,122**	**18,716**	23,105	56,156	79,261

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022			2021		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Accrued expenses	**5,444**	**2,411**	**7,855**	5,642	1,189	6,831
Premiums received in advance	**13,517**	**-**	**13,517**	15,689	-	15,689
Non actuarial liabilities pertaining to old portfolio	**13,642**	**-**	**13,642**	13,948	-	13,948
Other liabilities	**35,046**	**50,115**	**85,161**	22,376	55,167	77,543
Total	**67,649**	**52,526**	**120,175**	57,655	56,356	114,011

19. EMPLOYEE BENEFITS

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

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

	2022 SAR'000	*2021 SAR'000*
Present value of employee benefit obligation	**5,576**	5,248

19.2 Movement of defined benefit obligation

	2022 SAR'000	*2021 SAR'000*
Balance at the beginning of the year	**5,248**	3,518
Acquired due to business combination (note 4)	**-**	2,738
Charge to statement of income	**1,086**	2,435
Actuarial loss / (gain) from experience adjustments	**849**	(1,654)
Benefits paid during the year	**(1,607)**	(1,789)
Balance at the end of the year	**5,576**	5,248

19. EMPLOYEE BENEFITS (continued)

19.3 Reconciliation of present value of defined benefit obligation

	2022 SAR'000	2021 SAR'000
Balance at the beginning of the year	**5,248**	3,518
Acquired due to business combination (note 4)	**-**	2,738
Current service costs	**721**	1,580
Past service costs	**146**	752
Financial costs	**219**	103
Actuarial loss / (gain) from experience adjustments	**849**	(1,654)
Benefits paid during the year	**(1,607)**	(1,789)
Balance at the end of the year	**5,576**	5,248

19.4 Principal actuarial assumptions

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

	2022	2021
Discount rate	**4.65%**	Yield on Government Sukuk/Bonds in KSA issued from September 2017 to November 2021
Expected rate of increase in salary level across different age bands	**8%**	5%
Normal retirement age	**60 years**	60 years
Number of employees	**164**	165

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

	2022 SAR'000	2021 SAR'000
Discount rate		
- Increase by 1%	**(357)**	(335)
- Decrease by 1%	**403**	378
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**382**	365
- Decrease by 1%	**(346)**	(329)

Projected future benefit payments (6 years)	2022 SAR'000	2021 SAR'000
2023	**506**	437
2024	**534**	409
2025	**490**	407
2026	**460**	423
2027	**544**	549
2028	**384**	-

The average duration of the employee benefits at the end of the reporting period is 5.40 years (2021: 5.75 years).

20. SHARE CAPITAL

The authorized, issued and paid-up share capital of the Company is SAR 550 million consisting of 55 million shares (2021: SAR 550 million consisting of 55 million shares) of SAR 10 each and subscribed by the following:

20. SHARE CAPITAL (continued)

	Percentage of holding		*Amount of share capital*	
	2022	*2021*	***2022***	*2021*
	%	*%*	***SAR'000***	*SAR'000*
Founding Shareholders	**29.75%**	29.75%	**163,625**	163,625
Solidarity Group Holding (Bahrain Shareholding Company)	**7.05%**	7.05%	**38,775**	38,775
General public	**63.20%**	63.20%	**347,600**	347,600
	100%	100%	**550,000**	550,000

21. STATUTORY RESERVE

As required by Saudi Arabian Insurance Laws and Regulations, 20% of the net shareholders income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The Company makes this transfer on an annual basis at 31 December each year. As at 31 December 2022, SAR 5,671 thousand (2021: SAR 4,284 thousand) has been set aside as a statutory reserve. The statutory reserve is not available for distribution.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

Related party	***Nature of transactions***	***Amount of transactions***	
		2022	*2021*
		SAR'000	*SAR'000*
Bank AlJazira			
(Founding Shareholder)	Commission income on deposits	**1,565**	54
	Gross premium written	**69,800**	55,965
	Claims paid	**31,667**	32,277
	Issue of bonus shares	**-**	17,699
	Dividends on FVIS investments	**15**	7
	Purchase of Sukuks	**-**	99,251
Board of Directors	Board of directors' remuneration and fee	**1,905**	1,532
	Gross premium written	**194**	-
Consolidated Brothers Company	Issue of bonus shares	**-**	2,950
(Founding Shareholder)	Gross premium written	**29**	10
AlJazira Capital	Profit earned on mutual funds	**3,524**	1,960
(Founding Shareholder)	Other income	**11,401**	12,978
	Custodian charges	**380**	202
	Issue of bonus shares	**-**	2,950
Durrah Advanced Development Company (Associated Company)	Gross premium written	**2,396**	-
Solidarity Group Holding (Bahrain			
Shareholding Company)	Reinsurance premium ceded	**-**	2,705
(Major shareholder)	Issue of bonus shares	**-**	5,593
Board of directors & committee members	Gross premium written	**194**	65
Key management personnel	Short-term employee benefits	**7,701**	7,414
	Gross premium written	**10**	46

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

22.2 Amount due from a related party

	2022 ***SAR'000***	*2021* *SAR'000*
AlJazira Capital	**2,807**	60,788
	2,807	60,788

22.3 Amount due to a related party

	2022 ***SAR'000***	*2021* *SAR'000*
Solidarity Group Holding (Bahrain Shareholding Company)	**-**	984
	-	984

22.4 Premium receivable, net shown in the statement of financial position includes SAR 64,646 thousand (2021: SAR 9,233 thousand) from Bank AlJazira (the founding shareholder).

22.5 Outstanding claims shown in the statement of financial position includes SAR 27,394 thousand (2021: SAR 35,783 thousand) to Bank AlJazira (the founding shareholder).

23. GENERAL AND ADMINISTRATIVE EXPENSES, NET

	2022			2021		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
Employee related expenses	**38,422**	**-**	**38,422**	39,759	-	39,759
Legal and professional fees	**5,481**	**2,440**	**7,921**	5,830	4,110	9,940
Repair and maintenance	**1,338**	**-**	**1,338**	1,057	-	1,057
VAT expenses	**7,045**	**-**	**7,045**	1,530	-	1,530
Committees' expenses (refer note (a) below)	**-**	**799**	**799**	-	832	832
Computer expenses	**4,381**	**-**	**4,381**	4,050	-	4,050
Board remuneration (refer note (b) below)	**-**	**1,140**	**1,140**	-	972	972
Utilities, postage and telecommunications	**1,143**	**-**	**1,143**	994	-	994
Depreciation and amortization	**4,722**	**-**	**4,722**	4,852	-	4,852
Board attendance fees (refer note (c) below)	**-**	**765**	**765**	-	560	560
Other expenses	**3,194**	**(3,882)**	**(688)**	3,428	840	4,268
Total	**65,726**	**1,262**	**66,988**	61,500	7,314	68,814

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

24. OTHER INCOME

	2022 SAR'000	*2021 SAR'000*
Rebate income from AlJazira Capital "the founding shareholder"	**11,257**	12,888
Others	**905**	1,535
	12,162	14,423

25. ZAKAT AND INCOME TAX

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

25. ZAKAT AND INCOME TAX (continued)

(a) Zakat

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

	2022 ***SAR'000***	*2021* *SAR'000*
Equity	**749,832**	860,546
Provisions and other adjustments	**53,900**	3,672
Book value of long-term assets	**(830,051)**	(892,211)
Zakat base	**(26,319)**	(27,993)
Zakatable income for the year	**33,894**	19,841
Higher of zakat base and zakatable income for the year	**33,894**	19,841
Attributable to saudi shareholders @ 91.987% (2021: 98.705%)	**31,178**	19,584
Zakat @ 2.5%	**780**	490
Attributable income to non-Saudi shareholder @ 8.013% (2021: 1.295%)	**2,716**	257
Deductions attributable to the non-Saudi shareholders	**(195)**	-
Net income attributable to non-Saudi shareholder	**2,521**	257
Income Tax @ 20%	**504**	51
Zakat and income tax	**1,284**	541

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

	2022 ***SAR'000***	*2021* *SAR'000*
Balance at the beginning of the year	**2,838**	1,137
Acquired due to business combination (note 4)	**-**	4,119
Zakat for the year	**1,000**	490
Zakat paid during the year	**(702)**	(2,908)
Balance at the end of the year	**3,136**	2,838

(b) Income tax

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

25. ZAKAT AND INCOME TAX (continued)

(b) Income tax (continued)

	2022 SAR'000	*2021 SAR'000*
Balance at the beginning of the year	**(656)**	145
Acquired due to business combination (note 4)	**-**	(721)
Income tax for the year	**930**	51
Income tax paid during the year	**(502)**	(131)
Balance at the end of the year	**(228)**	(656)
Zakat at the end of the year	**3,136**	2,838
Income tax at the end of the year	**(228)**	(656)
Total Zakat and Income tax at the end of the year	**2,908**	2,182

(c) Status of assessments

The Company has submitted its Zakat and income tax returns for the years 2014 to 2021 with Zakat, Tax and Customs Authority (Formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained restricted certificates.

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

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

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

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

26. EARNINGS PER SHARE

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

	2022 SAR'000	*2021 SAR'000*
Net income for the year attributable to the shareholders	**28,354**	21,420
Weighted average number of ordinary shares	**55,000**	52,650
Earnings per share (in SAR)	**0.516**	0.407

27. COMMITMENTS AND CONTINGENCIES

In addition to contingencies disclosed in note 25, as at the statement of financial position date, the Company had no contingent liabilities and commitments (2021: SAR Nil).

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Company's financial assets consist of cash and cash equivalents, premium receivables, available for sale investments held to cover unit-linked liabilities, FVIS investments, held to maturity investments, other assets, statutory deposit, due from related parties and its financial liabilities consist of other liabilities, reinsurance balances payable and outstanding claims. The fair values of financial instruments are not materially different from their carrying values. As at 31 December 2022, apart from the investments which are carried at fair value (notes 7 and 8), there were no other financial instruments held by the Company that were measured at fair value.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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

		2022 (SAR'000)	**Fair value**		
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:					
Available for sale investments held to cover unit- linked liabilities	**1,278,506**	**-**	**1,278,506**	-	**1,278,506**
FVIS investments	**93,368**	**3,472**	**89,896**	-	**93,368**
Total	**1,371,874**	**3,472**	**1,368,402**	**-**	**1,371,874**

		2021 (SAR'000)	Fair value		
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Available for sale investments held to cover unit-linked liabilities	1,524,882	-	1,524,882	-	1,524,882
FVIS investments	153,952	3,564	150,388	-	153,952
Total	1,678,834	3,564	1,675,270	-	1,678,834

There are no financial assets where fair value is measurable as Level 3 fair value. FVIS investments comprise of an amount of SAR 1,923 thousand (2021: SAR 1,923 thousand), which is carried at cost as its fair value cannot be measured reliably.

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

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

2022		**Carrying value**	
	Amortised Cost	***Fair value***	***Total***
	SAR'000	***SAR'000***	***SAR'000***
Cash and cash equivalents	**263,185**	**-**	**263,185**
Premium receivable	**86,086**	**-**	**86,086**
Due from reinsurers	**4,187**	**-**	**4,187**
Reinsurance share of outstanding claims	**39,747**	**-**	**39,747**
Reinsurers' share of claims incurred but not reported	**12,419**	**-**	**12,419**
Available for sale investments held to cover unit-linked liabilities	**-**	**1,278,506**	**1,278,506**
FVIS investments	**-**	**95,291**	**95,291**
Held to maturity investments	**510,549**	**-**	**510,549**
Due from a related party	**2,807**	**-**	**2,807**
Other receivables	**7,440**	**-**	**7,440**
Statutory deposit	**55,000**	**-**	**55,000**
	981,420	**1,373,797**	**2,355,217**

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 December 2022 and 31 December 2021, as well as the significant unobservable inputs used.

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

29. OPERATING SEGMENTS

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

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

The motor segment offers third-party liability vehicle insurance product, which solely covers the amounts payable to third parties by the insured and a vehicle comprehensive insurance product, which covers all losses or damages incurred to the vehicle, including third-party liability.

The general segment offers fire and property insurance products, marine insurance products, engineering insurance products, other liability insurance contracts, and others.

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

29. OPERATING SEGMENTS (continued)

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

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

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

	2022					
	Medical	Motor	General	Individual Life	Group Life	Total
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*
ASSETS						
Reinsurers' share of unearned premium	**-**	**-**	**8,885**	**-**	**30,602**	**39,487**
Reinsurers' share of outstanding claims	**6**	**2,468**	**8,138**	**3,820**	**25,315**	**39,747**
Reinsurers' share of claims incurred but not reported	**-**	**-**	**5,386**	**-**	**7,033**	**12,419**
Deferred policy acquisition costs	**1,741**	**2,014**	**793**	**-**	**-**	**4,548**
Available for sale investments held to cover unit-linked liabilities	**-**	**-**	**-**	**1,278,506**	**-**	**1,278,506**
Total segment assets	**1,747**	**4,482**	**23,202**	**1,282,326**	**62,950**	**1,374,707**
Unallocated assets						
Cash and cash equivalents						**263,185**
Premium receivable, net						**86,086**
Due from reinsurers, net						**4,187**
Investments						**605,840**
Due from a related party						**2,807**
Prepayments and other assets						**18,716**
Property and equipment						**3,415**
Intangible assets						**2,150**
Right of use assets						**3,005**
Goodwill						**232,948**
Statutory deposit						**55,000**
Total assets						**2,652,046**
LIABILITIES						
Unearned reinsurance commission	**-**	**-**	**1,406**	**-**	**-**	**1,406**
Unearned premiums	**30,398**	**63,237**	**11,258**	**-**	**46,640**	**151,533**
Outstanding claims	**2,378**	**18,758**	**15,309**	**4,150**	**30,098**	**70,693**
Claims incurred but not reported	**7,256**	**24,423**	**7,487**	**-**	**9,465**	**48,631**
Premium deficiency reserve	**-**	**17,027**	**188**	**-**	**-**	**17,215**
Unit reserves	**-**	**-**	**-**	**1,283,743**	**-**	**1,283,743**
Mathematical reserve	**-**	**-**	**-**	**6,208**	**-**	**6,208**
Other technical reserves	**-**	**-**	**-**	**-**	**179**	**179**
Total segment liabilities	**40,032**	**123,445**	**35,648**	**1,294,101**	**86,382**	**1,579,608**
Unallocated liabilities and surplus						
Reinsurance balances payable						**51,376**
Accrued expenses and other liabilities						**120,175**
Lease liabilities						**3,035**
Payable to agents, policyholders and claimants						**33,979**
Employee benefits						**5,576**
Zakat and income tax						**2,908**
Surplus from Insurance Operations						**13,912**
TOTAL LIABILITIES						**1,810,569**
EQUITY						
Share capital						**550,000**
Share Premium						**197,286**
Statutory reserve						**48,303**
Retained earnings						**45,495**
TOTAL SHAREHOLDERS' EQUITY						**841,084**
Remeasurement reserve of employee benefits - related to Insurance Operations						**393**
TOTAL EQUITY						**841,477**
TOTAL LIABILITIES AND EQUITY						**2,652,046**

29. OPERATING SEGMENTS (continued)

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

29. OPERATING SEGMENTS (continued)

	For the year ended 31 December 2022					
	Medical	Motor	General	Individual Life	Group Life	Total Insurance Operations
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*
REVENUES						
Gross written premium:						
Individuals	-	101,302	156	164,226	-	265,684
Very Small Enterprises	15,313	-	-	-	-	15,313
Small Enterprises	15,728	375	-	-	67	16,170
Medium Enterprises	17,412	6,684	27,835	-	99	52,030
Corporates	604	3,928	-	-	61,892	66,424
Total gross written premium	49,057	112,289	27,991	164,226	62,058	415,621
Investible premium	-	-	-	(124,323)	-	(124,323)
Reinsurance premium ceded:						
Local	-	-	(22,357)	-	-	(22,357)
Foreign	(1,377)	(280)	(2,425)	(11,505)	(39,684)	(55,271)
Excess of loss premiums	(243)	(562)	(501)	-	-	(1,306)
Net premium written	47,437	111,447	2,708	28,398	22,374	212,364
Change in unearned premium, net	(9,454)	(55,099)	(221)	-	3,579	(61,195)
Net premium earned	37,983	56,348	2,487	28,398	25,953	151,169
Reinsurance commission earned	-	-	3,246	-	-	3,246
Other underwriting income	6,430	145	3,885	6,182	-	16,642
TOTAL REVENUES	44,413	56,493	9,618	34,580	25,953	171,057
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(22,081)	(50,287)	(3,330)	(5,619)	(31,768)	(113,085)
Reinsurers' share of claims paid	2,701	1,432	2,562	5,328	26,182	38,205
Net claims paid	(19,380)	(48,855)	(768)	(291)	(5,586)	(74,880)
Changes in outstanding claims, net	1,831	(5,009)	219	134	1,148	(1,677)
Changes in claims incurred but not reported, net	7,495	(9,795)	278	-	1,009	(1,013)
Net claims incurred	(10,054)	(63,659)	(271)	(157)	(3,429)	(77,570)
Changes in mathematical reserve	-	-	-	(740)	-	(740)
Changes in premium deficiency reserve	6,980	(15,979)	1,401	-	-	(7,598)
Change in other technical reserve	-	-	-	-	80	80
Policy acquisition costs	(2,814)	(3,530)	(1,233)	(1,722)	(1,709)	(11,008)
Other direct underwriting expenses	(3,697)	(4,315)	(192)	-	-	(8,204)
TOTAL UNDERWRITING COSTS AND EXPENSES	(9,585)	(87,483)	(295)	(2,619)	(5,058)	(105,040)
NET UNDERWRITING INCOME / (LOSS)	34,828	(30,990)	9,323	31,961	20,895	66,017
OTHER OPERATING (EXPENSES) / INCOME						
Impairment reversal on premium receivable						931
General and administrative expenses						(66,988)
Commission from held to maturity investments						14,630
Commission income on deposits						1,565
Unrealized gain on FVIS investments						3,107
Realized gain on FVIS investments						309
Dividends from FVIS investments						140
Other income						12,162
TOTAL OTHER OPERATING EXPENSES, NET						(34,144)
Income before surplus, zakat and income tax						31,873
Net income attributed to the Insurance Operations						(1,589)
Income for the year attributable to the shareholders before zakat and income tax						30,284
Zakat						(1,000)
Income tax						(930)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS						28,354

29. OPERATING SEGMENTS (continued)

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

30. RISK MANAGEMENT

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

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

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

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

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

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

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

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

Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from factors other than credit, market and liquidity risks such as those arising from regulatory requirements. Operational risks arise from all of the Company's activities. The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

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

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

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

Concentration of insurance risk
The Company monitors the concentration of insurance risks primarily by class of business. The major concentration lies in medical, individual life, and group life segments. The Company also monitors the concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk, a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company. Since the Company does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

Key assumptions
The frequency and severity of claims can be affected by several factors like natural disasters, floods, environmental and economic, atmospheric disturbances, concentration of risk, civil riots, etc. The Company manages these risks through conservative underwriting strategies and effective use of reinsurance arrangements.

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

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

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

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

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

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

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

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

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

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

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

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

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

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

Sensitivity of claims
The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the claims ratio would impact net underwriting income annually in aggregate by:

30. RISK MANAGEMENT (continued)

Insurance risk (continued)

	Net underwriting income	
	2022	2021
	SR'000	
Impact of change in claim ratio by + / - 5%		
Medical	**1,899**	3,602
Motor	**2,817**	1,398
General	**124**	102
Individual Life	**1,420**	1,543
Group Life	**1,298**	1,032
	7,558	**7,677**

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The ratings of its reinsurance counterparties are as follows:

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

30. RISK MANAGEMENT (continued)

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

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

As at 31 December 2022, the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law. The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SAR 550,000 thousand, share premium of SAR 197,286 thousand, statutory reserves of SAR 48,303 thousand and retained earnings of SAR 45,495 thousand (31 December 2021: paid-up share capital of SAR 550,000 thousand, share premium of SAR 197,286 thousand, statutory reserves of SAR 42,632 thousand and retained earnings of SAR 22,812 thousand) in the statement of financial position. In the opinion of the management, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

The amendment made to the Co-operative Insurance Companies Law in accordance with the Royal Decree (M/12) dated 23/1/1443H (corresponding to 01/09/2021) requires the minimum capital of insurance companies to be SAR 300 million by 15 December 2024.

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

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

The Company does not enter into derivative transactions.

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

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

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

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

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its sukuks (2021: murabaha deposits and sukuks).

The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2022. A hypothetical 50 basis points change in the weighted average commission rates of the floating rate financial assets balances at 31 December 2022 would impact commission income on sukuks by approximately SAR 2,553 thousand (2021: SAR 2,605 thousand) over the remaining period of maturity.

30. RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

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

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

- The Company seeks to limit the credit risk by setting credit limits and monitoring outstanding receivables. In respect of premium receivable, one of the policy holders account for 60% of the balance as at 31 December 2022 (2021: 22%).

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

	2022	*2021*
	SAR'000	*SAR'000*
Cash and cash equivalents	**263,185**	83,023
Premium receivable	**107,038**	42,169
Due from reinsurers	**4,187**	1,385
Reinsurers' share of outstanding claims	**39,747**	52,471
Reinsurers' share of claims incurred but not reported	**12,419**	26,924
Investments	**605,840**	622,690
Due from a related party	**2,807**	60,788
Amounts held for investments with Custodians	**-**	55,793
Other receivables	**7,440**	7,332
Statutory deposit	**55,000**	47,066
	1,097,663	999,641

30. RISK MANAGEMENT (continued)

Liquidity risk

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

Maturity table

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

	2022			*2021*		
SAR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
FINANCIAL ASSETS						
Cash and cash equivalents	**263,185**	-	**263,185**	83,023	-	83,023
Premium receivable	**86,086**	-	**86,086**	42,169	-	42,169
Due from reinsurers	**4,187**	-	**4,187**	1,385	-	1,385
Reinsurance share of outstanding claims	**39,747**	-	**39,747**	52,471	-	52,471
Reinsurers' share of claims incurred but not reported	**12,419**	-	**12,419**	26,924	-	26,924
Available for sale investments held to cover unit-linked liabilities	**1,278,506**	-	**1,278,506**	1,524,882	-	1,524,882
Investments	**95,291**	**510,549**	**605,840**	466,815	155,875	622,690
Due from a related party	**2,807**	-	**2,807**	60,788	-	60,788
Amounts held for investments with Custodians	-	-	-	55,793	-	55,793
Other receivables	**7,440**	-	**7,440**	7,332	-	7,332
Statutory deposit	-	**55,000**	**55,000**	-	47,066	47,066
TOTAL	**1,789,668**	**565,549**	**2,355,217**	2,321,582	202,941	2,524,523

	2022			*2021*		
SR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SAR'000	***SAR'000***	***SAR'000***	*SAR'000*	*SAR'000*	*SAR'000*
FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	**120,175**	-	**120,175**	98,322	-	98,322
Lease liabilities	**972**	**2,063**	**3,035**	579	678	1,257
Payable to agents, policyholders and claimants	**33,979**	-	**33,979**	36,194	-	36,194
Reinsurance balances payable	**51,376**	-	**51,376**	34,389	-	34,389
Outstanding claims	**70,693**	-	**70,693**	81,740	-	81,740
Claims incurred but not reported	**48,631**	-	**48,631**	62,123	-	62,123
Premium deficiency reserve	**17,215**	-	**17,215**	9,617	-	9,617
Unit reserves	**1,283,743**	-	**1,283,743**	1,526,927	-	1,526,927
Mathematical reserve	**6,208**	-	**6,208**	5,468	-	5,468
Other technical reserves	**179**	-	**179**	259	-	259
Due to a related party	-	-	-	984	-	984
TOTAL	**1,633,171**	**2,063**	**1,635,234**	1,856,602	678	1,857,280

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

30. RISK MANAGEMENT (continued)

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

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

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

Quoted equity Securities
The total size of FVIS investments that are exposed to market price risk is SAR 93,368 thousand (2021: SAR 153,952 thousand). The Company manages this risk by conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

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

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

	Impact on Net Assets	
	2022	2021
	SR'000	
Impact of change in market prices by + / - 5%		
Open ended mutual funds	**68,420**	83,764
Quoted equity securities	**174**	178
	68,594	83,942

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

The total size of FVIS investments which are exposed to market price risk are SAR 93,368 thousand (2021: SAR 153,952 thousand). The Company manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

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

	Fair value change	**Effect on Company's profit SAR'000**
2022	**± 10%**	**± 9,337**
2021	± 10%	± 15,395

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

31. SUPPLEMENTARY INFORMATION

a) STATEMENT OF FINANCIAL POSITION

	2022			2021		
	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total SAR'000*
ASSETS						
Cash and cash equivalents	**184,639**	**78,546**	**263,185**	77,628	5,395	83,023
Premium receivable, net	**86,086**	**-**	**86,086**	20,286	-	20,286
Due from reinsurers, net	**4,187**	**-**	**4,187**	1,385	-	1,385
Reinsurers' share of unearned premium	**39,487**	**-**	**39,487**	25,716	-	25,716
Reinsurers' share of outstanding claims	**39,747**	**-**	**39,747**	52,471	-	52,471
Reinsurers' share of claims incurred but not reported	**12,419**	**-**	**12,419**	26,924	-	26,924
Deferred policy acquisition costs	**4,548**	**-**	**4,548**	2,686	-	2,686
Available for sale investments held to cover unit-linked liabilities	**1,278,506**	**-**	**1,278,506**	1,524,882	-	1,524,882
Investments	**56,394**	**549,446**	**605,840**	119,459	503,231	622,690
Due from a related party	**-**	**2,807**	**2,807**	-	60,788	60,788
Prepayments and other assets	**17,594**	**1,122**	**18,716**	23,105	56,156	79,261
Property and equipment	**3,415**	**-**	**3,415**	3,818	-	3,818
Intangible assets	**2,150**	**-**	**2,150**	3,562	-	3,562
Right use of assets	**3,005**	**-**	**3,005**	1,212	-	1,212
Goodwill	**-**	**232,948**	**232,948**	-	232,948	232,948
Statutory deposit	**-**	**55,000**	**55,000**	-	47,066	47,066
Due from Shareholders Operations	**23,351**	**-**	**23,351**	33,478	-	33,478
	1,755,528	**919,869**	**2,675,397**	1,916,612	905,584	2,822,196
Less: Inter-operations eliminations	**(23,351)**	**-**	**(23,351)**	(33,478)	-	(33,478)
TOTAL ASSETS	**1,732,177**	**919,869**	**2,652,046**	1,883,134	905,584	2,788,718
LIABILITIES						
Accrued expenses and other liabilities	**67,649**	**52,526**	**120,175**	57,655	56,356	114,011
Lease liabilities	**3,035**	**-**	**3,035**	1,190	-	1,190
Payable to agents, policyholders, and claimants	**33,979**	**-**	**33,979**	36,194	-	36,194
Unearned reinsurance commission	**1,406**	**-**	**1,406**	632	-	632
Reinsurance balances payable	**51,376**	**-**	**51,376**	34,389	-	34,389
Unearned premium	**151,533**	**-**	**151,533**	76,567	-	76,567
Outstanding claims	**70,693**	**-**	**70,693**	81,740	-	81,740
Claims incurred but not reported	**48,631**	**-**	**48,631**	62,123	-	62,123
Premium deficiency reserve	**17,215**	**-**	**17,215**	9,617	-	9,617
Unit reserves	**1,283,743**	**-**	**1,283,743**	1,526,927	-	1,526,927
Mathematical reserve	**6,208**	**-**	**6,208**	5,468	-	5,468
Other technical reserves	**179**	**-**	**179**	259	-	259
Employee benefits	**5,576**	**-**	**5,576**	5,248	-	5,248
Zakat and income tax	**-**	**2,908**	**2,908**	-	2,182	2,182
Due to a related party	**-**	**-**	**-**	146	838	984
Surplus from Insurance Operations	**13,912**	**-**	**13,912**	17,215	-	17,215
Due to Insurance Operations	**-**	**23,351**	**23,351**	-	33,478	33,478
	1,755,135	**78,785**	**1,833,920**	1,915,370	92,854	2,008,224
Less: Inter-operations eliminations	**-**	**(23,351)**	**(23,351)**	-	(33,478)	(33,478)
TOTAL LIABILITIES	**1,755,135**	**55,434**	**1,810,569**	1,915,370	59,376	1,974,746
EQUITY						
Share capital	**-**	**550,000**	**550,000**	-	550,000	550,000
Share premium	**-**	**197,286**	**197,286**	-	197,286	197,286
Statutory reserve	**-**	**48,303**	**48,303**	-	42,632	42,632
Retained earnings	**-**	**45,495**	**45,495**	-	22,812	22,812
Remeasurement reserve of defined benefit obligation – related to Insurance operations	**393**	**-**	**393**	1,242	-	1,242
TOTAL EQUITY	**393**	**841,084**	**841,477**	1,242	812,730	813,972
TOTAL LIABILITIES AND EQUITY	**1,755,528**	**896,518**	**2,652,046**	1,916,612	872,106	2,788,718

31. SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2022 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2021 SAR'000*
REVENUES						
Gross written premium:	**415,621**	-	**415,621**	299,031	-	299,031
Investible premium	**(124,323)**	-	**(124,323)**	(125,493)	-	(125,493)
Reinsurance premium ceded:		-				
Local	**(22,357)**	-	**(22,357)**	(8,889)	-	(8,889)
Foreign	**(55,271)**	-	**(55,271)**	(49,776)	-	(49,776)
Excess of loss premiums	**(1,306)**	-	**(1,306)**	(24,147)	-	(24,147)
Net premium written	**212,364**	-	**212,364**	90,726	-	90,726
Change in unearned premium, net	**(61,195)**	-	**(61,195)**	62,823	-	62,823
Net premium earned	**151,169**	-	**151,169**	153,549	-	153,549
Reinsurance commission earned	**3,246**	-	**3,246**	1,980	-	1,980
Other underwriting income	**16,642**	-	**16,642**	18,319	-	18,319
TOTAL REVENUES	**171,057**	-	**171,057**	173,848	-	173,848
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(113,085)**	-	**(113,085)**	(177,741)	-	(177,741)
Reinsurers' share of claims paid	**38,205**	-	**38,205**	53,786	-	53,786
Net claims paid	**(74,880)**	-	**(74,880)**	(123,955)	-	(123,955)
Changes in outstanding claims, net	**(1,677)**	-	**(1,677)**	7,019	-	7,019
Changes in claims incurred but not reported, net	**(1,013)**	-	**(1,013)**	(318)	-	(318)
Net claims incurred	**(77,570)**	-	**(77,570)**	(117,254)	-	(117,254)
Change in mathematical reserve	**(740)**	-	**(740)**	3,692	-	3,692
Changes in premium deficiency reserve	**(7,598)**	-	**(7,598)**	9,627	-	9,627
Change in other technical reserves	**80**	-	**80**	18,607	-	18,607
Policy acquisition costs	**(11,008)**	-	**(11,008)**	(12,778)	-	(12,778)
Supervision and inspection fees	**-**	-	**-**	(363)	-	(363)
Other direct underwriting expenses	**(8,204)**	-	**(8,204)**	(7,108)	-	(7,108)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(105,040)**	-	**(105,040)**	(105,577)	-	(105,577)
NET UNDERWRITING INCOME	**66,017**	-	**66,017**	68,271	-	68,271
OTHER OPERATING (EXPENSES)/ INCOME						
Impairment reversal / (loss) on premium receivable	**931**	-	**931**	(6,176)	-	(6,176)
General and administrative expenses	**(65,726)**	**(1,262)**	**(66,988)**	(61,500)	(7,314)	(68,814)
Commission from held to maturity Investments	**-**	**14,630**	**14,630**	11	12,060	12,071
Commission income on deposits	**874**	**691**	**1,565**	4	650	654
Unrealized gain on FVIS investments	**1,810**	**1,297**	**3,107**	811	529	1,340
Realized gain on FVIS investments	**124**	**185**	**309**	220	1,408	1,628
Dividends from FVIS investments	**-**	**140**	**140**	-	162	162
Other income	**11,863**	**299**	**12,162**	14,338	85	14,423
TOTAL OTHER OPERATING (EXPENSES) / INCOME	**(50,124)**	**15,980**	**(34,144)**	(52,292)	7,580	(44,712)

31. SUPPLEMENTARY INFORMATION (continued)

b) STATEMENT OF INCOME (continued)

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2022 SAR'000***	*Insurance operations SAR'000*	*Shareholders'o perations SAR'000*	*Total 2021 SAR'000*
NET SURPLUS FROM OPERATIONS	**15,893**	**15,980**	**31,873**	15,979	7,580	23,559
Surplus transferred to shareholders	**(14,304)**	**14,304**	**-**	(14,381)	14,381	-
NET INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX	**1,589**	**30,284**	**31,873**	1,598	21,961	23,559
Zakat	**-**	**(1,000)**	**(1,000)**	-	(490)	(490)
Income tax	**-**	**(930)**	**(930)**	-	(51)	(51)
NET INCOME FOR THE YEAR	**1,589**	**28,354**	**29,943**	1,598	21,420	23,018
Weighted average number of ordinary shares outstanding (in thousands of shares) – restated	**-**	**55,000**	**-**	-	52,650	-
Earnings per share for the year (SAR/share) (Basic and diluted) – restated	-	0.516	-	-	0.407	-

c) STATEMENT OF COMPREHENSIVE INCOME

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2022 SAR'000***	*Insurance operations SAR'000*	*Shareholders'o perations SAR'000*	*Total 2021 SAR'000*
NET INCOME FOR THE YEAR	**1,589**	**28,354**	**29,943**	1,598	21,420	23,018
Actuarial (loss) / gain on defined benefit obligation – related to Insurance operations (note 19)	**(849)**	**-**	**(849)**	1,654	-	1,654
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**740**	**28,354**	**29,094**	3,252	21,420	24,672

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

31. SUPPLEMENTARY INFORMATION (continued)

d) STATEMENT OF CASH FLOWS

	Insurance operations SAR'000	***Shareholders' operations SAR'000***	***Total 2022 SAR'000***	*Insurance operations SAR'000*	*Shareholders' operations SAR'000*	*Total 2021 SAR'000*
OPERATING ACTIVITIES						
Net income for the year before zakat and income tax	**1,589**	**30,284**	**31,873**	1,598	21,961	23,559
Adjustments for non-cash items:						
Impairment (reversal) / loss on premium receivable	**(931)**	**-**	**(931)**	6,176	-	6,176
Loss on disposal of property and equipment and derecognition of leases	**969**	**-**	**969**	1,784	-	1,784
Commission from held to maturity investments	**-**	**(14,630)**	**(14,630)**	(11)	(12,060)	(12,071)
Unrealized gain on FVIS investments	**(1,810)**	**(1,297)**	**(3,107)**	(811)	(529)	(1,340)
Realized gain on FVIS investments	**(124)**	**(185)**	**(309)**	(220)	(1,408)	(1,628)
Dividends from FVIS investments	**-**	**(140)**	**(140)**	-	(162)	(162)
Depreciation and amortization	**4,722**	**-**	**4,722**	4,852	-	4,852
Finance cost of lease liabilities	**69**	**-**	**69**	182	-	182
Employee benefits	**1,086**	**-**	**1,086**	2,435	-	2,435
	5,570	**14,032**	**19,602**	15,985	7,802	23,787
Changes in operating assets and liabilities:						
Premium receivable, net	**(65,800)**	**-**	**(65,800)**	5,122	-	5,122
Due from reinsurers, net	**(2,802)**	**-**	**(2,802)**	9,577	-	9,577
Reinsurers' share of unearned premium	**(13,771)**	**-**	**(13,771)**	1,938	-	1,938
Unearned premium	**74,966**	**-**	**74,966**	(64,761)	-	(64,761)
Unearned reinsurance commission	**774**	**-**	**774**	(724)	-	(724)
Deferred policy acquisition costs	**(1,862)**	**-**	**(1,862)**	6,132	-	6,132
Reinsurers' share of outstanding claims	**12,724**	**-**	**12,724**	13,980	-	13,980
Reinsurers' share of claims incurred but not reported	**14,505**	**-**	**14,505**	(3,479)	-	(3,479)
Available for sale investments held to cover unit-linked liabilities, net	**246,376**	**-**	**246,376**	(181,059)	-	(181,059)
Due from related parties	**-**	**57,981**	**57,981**	-	(4,471)	(4,471)
Due to a related party	**(146)**	**(838)**	**(984)**	-	-	-
Prepayments and other assets	**5,511**	**55,034**	**60,545**	8,991	(54,743)	(45,752)
Accrued expenses and other liabilities	**9,994**	**(3,830)**	**6,164**	(27,363)	(1,083)	(28,446)
Payable to agents, policyholders and claimants	**(2,215)**	**-**	**(2,215)**	4,747	-	4,747
Reinsurers' balances payable	**16,987**	**-**	**16,987**	10,916	-	10,916
Outstanding claims	**(11,047)**	**-**	**(11,047)**	(20,999)	-	(20,999)
Claims incurred but not reported	**(13,492)**	**-**	**(13,492)**	3,797	-	3,797
Unit reserve	**(243,184)**	**-**	**(243,184)**	177,563	-	177,563
Mathematical reserve	**740**	**-**	**740**	(3,692)	-	(3,692)
Premium deficiency reserve	**7,598**	**-**	**7,598**	(9,627)	-	(9,627)
Other technical reserves	**(80)**	**-**	**(80)**	(18,607)	-	(18,607)
Due from shareholders/Insurance Operations	**10,127**	**(10,127)**	**-**	82,041	(82,041)	-
Cash generated from / (used in) operations	**51,473**	**112,252**	**163,725**	10,478	(134,536)	(124,058)
Release of short-term deposit acquired as a result of business combination	**-**	**-**	**-**	-	37,500	37,500
Increase in statutory deposit	**-**	**(7,934)**	**(7,934)**	-	(12,066)	(12,066)
Zakat and income tax paid	**-**	**(1,204)**	**(1,204)**	-	(3,039)	(3,039)
Employee benefits paid	**(1,607)**	**-**	**(1,607)**	(1,789)	-	(1,789)
Distribution of surplus to policyholders	**(4,892)**	**-**	**(4,892)**	(261)	-	(261)
Net cash generated from / (used in) operating activities	**44,974**	**103,114**	**148,088**	8,428	(112,141)	(103,713)
INVESTING ACTIVITIES						
Proceeds from maturity of held to maturity investment	**-**	**16,386**	**16,386**	15,000	136,864	151,864
Proceeds from disposal of FVIS investment	**99,999**	**130,001**	**230,000**	25,001	148,484	173,485
Purchase of held to maturity investments	**-**	**(60,915)**	**(60,915)**	-	(149,202)	(149,202)
Purchase of FVIS investment	**(35,000)**	**(131,000)**	**(166,000)**	(89,950)	(175,000)	(264,950)
Commission received from held to maturity investments	**-**	**15,425**	**15,425**	1,381	30,061	31,442
Dividends from FVIS investments		**140**	**140**	-	162	162
Net cash flow in Business Combination	**-**	**-**	**-**	48,215	92,635	140,850
Proceeds from disposal of property and equipment	**-**	**-**	**-**	170	-	170
Purchase of property and equipment	**(1,905)**	**-**	**(1,905)**	(568)	-	(568)
Net cash generated from / (used in) investing activities	**63,094**	**(29,963)**	**33,131**	(751)	84,004	83,253
FINANCING ACTIVITIES						
Repayment of lease liabilities	(1,057)	-	(1,057)	(2,549)	-	(2,549)
Net cash used in financing activities	**(1,057)**	**-**	**(1,057)**	(2,549)	-	(2,549)
Net increase / (decrease) in cash and cash equivalents	**107,011**	**73,151**	**180,162**	5,128	(28,137)	(23,009)
Cash and cash equivalents at the beginning of the year	**77,628**	**5,395**	**83,023**	72,500	33,532	106,032
Cash and cash equivalents at the end of the year	**184,639**	**78,546**	**263,185**	77,628	5,395	83,023

32. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The Company is in the process of assessing the impact of the new Companies Law and will amend its Articles of Association/By-Laws for any changes to align the Articles to the provisions of the Law. However, the Company is awaiting guidance from the Saudi Central Bank (SAMA) before proceeding with any implementation.

Except for the above, there have been no significant subsequent events since the year end, that would require disclosures or adjustments in these financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 20 March 2023, corresponding to 28 Shaban 1444H.