BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2022

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Crowe
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For Professional Consulting
Member Crowe Global

MOORE El Sayed El Ayouty & Co.
Certified Public Accountants

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in our audit
The Company as at December 31, 2022 has gross technical reserves amounting to SR 140.46 million as reported in Note 10 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), premium deficiency reserves and other technical reserves. The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs. The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates. *Refer to notes 2 & 5 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.*	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. • Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Independent Auditors' Report (Continued)

Other information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report (Continued)

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

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

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

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

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

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

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

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

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Certified Public Accountant
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Date: 15 March 2023
corresponding to: 23 Shaban 1444H

السيد العيوطي وشركاه
محاسبون ومراجعون قانونيون
س.ت رقم ٤٠٣٠٢٩١٢٤٥
CERTIFIED PUBLIC ACCOUNTANTS
C.R. No. 4030291245
EL SAYED EL AYOUTY & CO.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SAR	2021 SAR
ASSETS			
Cash and cash equivalents	6	**254,910,052**	237,886,895
Time deposits	7	**185,000,000**	333,742,623
Premiums and reinsurers' receivable, net	9	**85,177,647**	39,887,814
Reinsurers' share of unearned premiums	10(b)	**12,935,386**	12,536,185
Reinsurers' share of outstanding claims	10(a)	**16,099,413**	10,362,152
Reinsurers' share of claims incurred but not reported	10(a)	**2,059,565**	4,587,389
Deferred policy acquisition costs	10(d)	**7,881,002**	8,640,690
Investments	13	**148,702,279**	156,680,148
Prepaid expenses and other assets	8	**42,458,590**	42,846,385
Right-of-use assets	16	**1,334,056**	5,701,429
Property, equipment and intangible assets, net	12	**3,539,910**	4,129,551
Investment in associate	14	**1,134,571**	597,960
Statutory deposit	22	**30,000,000**	30,000,000
Accrued income on statutory deposits	22	**2,582,066**	2,353,079
TOTAL ASSETS		**793,814,537**	889,952,300
LIABILITIES			
Policyholders and accounts payables	17	**45,357,217**	39,815,353
Reinsurers' balances payable		**14,995,195**	10,408,950
Accrued expenses and other liabilities	18	**22,557,827**	23,470,413
Lease liabilities	16	**1,092,627**	5,196,480
Unearned premiums	10(b)	**134,444,830**	181,232,083
Unearned reinsurance commission	10(c)	**2,024,836**	1,758,780
Outstanding claims	10(a)	**76,956,277**	83,717,517
Claims incurred but not reported	10(a)	**41,364,069**	27,395,774
Premium deficiency reserve	10(a)	**17,502,915**	26,312,790
Other technical reserves	10(a)	**4,637,511**	5,470,428
End-of-service benefits	19	**8,227,890**	12,311,821
Zakat payable	28	**28,072,830**	32,841,217
Accrued income on statutory deposits	22	**2,582,066**	2,353,079
TOTAL LIABILITIES		**399,816,088**	452,284,685
INSURANCE OPERATIONS' SURPLUS			
Fair value reserve on available for sale investments		**(3,752,134)**	(3,705,910)
Foreign currency translation adjustments		**-**	21,649
Accumulated actuarial loss on end-of-service benefits		**2,971,159**	(1,069,338)
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS		**399,035,113**	447,531,086
SHAREHOLDERS' EQUITY			
Share capital	23	**300,000,000**	300,000,000
Statutory reserve	24	**51,584,068**	51,584,068
Retained earnings		**43,975,609**	83,268,715
Foreign currency translation adjustments		**(350,885)**	159,784
Fair value reserve on available for sale investments		**(429,368)**	7,408,647
TOTAL SHAREHOLDERS' EQUITY		**394,779,424**	442,421,214
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**793,814,537**	889,952,300

Board Member   General Manager   Finance Manager

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

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	2022 SAR	2021 SAR
REVENUES			
Gross written premiums	10(b)	**368,839,351**	290,711,903
Reinsurance premiums ceded		**(38,506,784)**	(29,955,400)
Excess of loss premiums		**(7,976,597)**	(7,044,566)
Net premiums written		**322,355,970**	253,711,937
Changes in unearned premiums, net		**47,186,454**	(91,969,157)
Net premiums earned	10(b)	**369,542,424**	161,742,780
Reinsurance commissions earned	10(c)	**6,256,912**	7,511,425
Policy fees		**276,634**	248,876
Other underwriting income		**22,139,130**	2,469,940
TOTAL REVENUES		**398,215,100**	171,973,021
UNDERWRITING COSTS			
Gross claims paid		**(342,938,008)**	(126,527,044)
Reinsurers' share of claims paid		**6,555,489**	7,289,040
Net claims paid		**(336,382,519)**	(119,238,004)
Changes in outstanding claims, net		**12,498,501**	14,520,125
Changes in claims incurred but not reported, net		**(16,496,119)**	10,361,462
Net claims incurred		**(340,380,137)**	(94,356,417)
Changes in premium deficiency reserve		**8,809,875**	(2,559,454)
Changes in other technical reserves		**832,917**	331,843
Policy acquisition costs	10(d)	**(21,735,942)**	(11,065,797)
Inspection and supervision fees		**(2,581,536)**	(2,239,029)
Third party administrator fees		**(4,659,775)**	(2,117,723)
Other underwriting expenses		**(30,351,079)**	(13,242,812)
TOTAL UNDERWRITING COSTS		**(390,065,677)**	(125,249,389)
NET UNDERWRITING SURPLUS		**8,149,423**	46,723,632
OTHER OPERATING (EXPENSES)			
(Allowance) / reversal of doubtful debts provision	9(b)	**(2,622,584)**	606,160
General and administrative expenses	20	**(66,303,097)**	(71,294,035)
Investment income	13(iii)	**26,622,348**	40,815,269
Impairment of available for sale investments	13(ii)	**(1,031,278)**	(1,218,783)
Share of profit /(loss) of associate	14	**536,611**	(102,658)
Other income		**2,005,745**	240,555
TOTAL OTHER OPERATING EXPENSES, NET		**(40,792,255)**	(30,953,492)
Total (loss)/income before surplus attribution and zakat		**(32,642,832)**	15,770,140
Surplus attributed to the insurance operations		**-**	-
(Loss)/income attributed to the shareholders before zakat		**(32,642,832)**	15,770,140
Zakat charge	28	**(6,650,274)**	(11,456,333)
Net (loss)/income attributed to the shareholders after zakat		**(39,293,106)**	4,313,807
(Loss)/earnings per share – Basic and diluted	25	**(1.31)**	0.14

Board Member General Manager Finance Manager

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

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 SAR	2021 SAR
Net (loss)/income after zakat		**(39,293,106)**	4,313,807
Other comprehensive (loss)/income			
Items that will be reclassified to statements of income in subsequent years			
Available for sale investments:			
- Net amounts transferred to statement of income	13(ii)	**(2,064,469)**	(21,085,955)
- Foreign currency translation adjustments		**(532,318)**	(27,296)
- Net change in fair value for available for sale investment		**(5,819,770)**	11,095,295
		(8,416,557)	(10,017,956)
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gain on end-of- service benefits	19	**4,040,497**	1,648,694
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(43,669,166)**	(4,055,455)
Total comprehensive (loss)/ income attributed to the insurance operations		**(3,972,624)**	1,957,842
Total comprehensive loss attributable to the shareholders		**(47,641,790)**	(2,097,613)

Board Member

General Manager

Finance Manager

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

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

	Share Capital SAR	**Statutory Reserve SAR**	**Retained earnings SAR**	**Foreign currency translation adjustments SAR**	**Fair value reserve on available for sale investments SAR**	**Total SAR**
2022						
Balance as at 1 January 2022	**300,000,000**	**51,584,068**	**83,268,715**	**159,784**	**7,408,647**	**442,421,214**
Net loss attributable to shareholders after zakat	-	-	**(39,293,106)**	-	-	**(39,293,106)**
Foreign currency translation adjustments	-	-	-	**(510,669)**	-	**(510,669)**
Changes in fair value of available for sale investments	-	-	-	-	**(7,838,015)**	**(7,838,015)**
Total comprehensive loss attributable to shareholders	-	-	**(39,293,106)**	**(510,669)**	**(7,838,015)**	**(47,641,790)**
Balance As at 31 December 2022	**300,000,000**	**51,584,068**	**43,975,609**	**(350,885)**	**(429,368)**	**394,779,424**

	Share Capital SAR	Statutory Reserve SAR	Retained earnings SAR	Foreign currency translation adjustments SAR	Fair value reserve on available for sale investments SAR	Total SAR
2021						
Balance as at 1 January 2021	300,000,000	50,721,307	79,817,669	208,729	13,771,122	444,518,827
Net income attributable to shareholders after zakat	-	-	4,313,807	-	-	4,313,807
Foreign currency translation adjustments	-	-	-	(48,945)	-	(48,945)
Changes in fair value of available for sale investments	-	-	-	-	(6,362,475)	(6,362,475)
Total comprehensive loss attributable to shareholders	-	-	4,313,807	(48,945)	(6,362,475)	(2,097,613)
Transfer to statutory reserve	-	862,761	(862,761)	-	-	
Balance as at 31 December 2021	300,000,000	51,584,068	83,268,715	159,784	7,408,647	442,421,214

Board Member

General Manager

Finance Manager

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

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 SAR	2021 SAR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/income before surplus attribution and zakat		**(32,642,832)**	15,770,140
Adjustments for non-cash items:			
Depreciation of property, equipment and intangible assets	12	**1,546,077**	1,459,936
Allowances/(reversal) of doubtful debts provision	9(b)	**2,622,584**	(606,160)
Provision for end-of-service benefits	19	**2,588,798**	2,605,344
Realized gain from investments		**(2,064,469)**	(21,085,955)
Impairment of available for sale investment	13(ii)	**1,031,278**	1,218,783
Share of (profit) /loss of associate	14	**(536,611)**	102,658
Loss/(gain) on disposal of property and equipment		**418,823**	(121,968)
Depreciation of Right-of-use assets	16	**1,230,319**	1,608,617
Interest expense on lease liabilities	16	**29,459**	115,453
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(47,912,417)**	(3,014,357)
Reinsurers' share of unearned premiums		**(399,201)**	2,713,947
Reinsurers' share of outstanding claims		**(5,737,261)**	24,506,721
Reinsurers' share of claims incurred but not reported		**2,527,824**	1,207,201
Deferred policy acquisition costs		**759,688**	(4,906,839)
Prepaid expenses and other assets		**387,795**	(17,830,549)
Right-of-use assets		**-**	(2,740,619)
Policyholders and accounts payables		**5,541,864**	12,935,669
Reinsurers' balances payable		**4,586,245**	(2,148,467)
Accrued expenses and other liabilities		**(912,588)**	8,766,019
Unearned premiums		**(46,787,253)**	89,255,210
Unearned reinsurance commission		**266,056**	151,835
Outstanding claims		**(6,761,240)**	(39,026,846)
Claims incurred but not reported		**13,968,295**	(11,568,663)
Premium deficiency reserve		**(8,809,875)**	2,559,454
Other technical reserves		**(832,917)**	(331,843)
		(115,891,559)	61,594,721
End-of-service benefits paid	19	**(2,632,232)**	(4,657,186)
Insurance surplus paid		**-**	(1,714,863)
Zakat paid	28	**(11,418,661)**	(8,762,953)
Net cash (used in) /generated from operating activities		**(129,942,452)**	46,459,719
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals / (Additions) in time deposits		**148,742,623**	(44,934,565)
Additions in investments	13(ii)	**(73,412,418)**	(70,305,124)
Proceeds from available for sale investments	13(ii)	**74,006,921**	175,915,645
Additions in property, equipment and intangible assets	12	**(1,422,069)**	(2,000,125)
Proceeds from disposal of property, equipment and intangible assets		**46,810**	249,957
Net cash generated from investing activities		**147,961,867**	58,925,788
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities		**(996,258)**	609,455
Net cash (used in)/generated from in financing activities		**(996,258)**	609,455
Net change in cash and cash equivalents		**17,023,157**	105,994,962
Cash and cash equivalents, beginning of the year		**237,886,895**	131,891,933
Cash and cash equivalents, end of the year	6	**254,910,052**	237,886,895
Non-cash transactions:			
Change in fair value of available for sale investments		**(7,884,239)**	(9,990,660)
Foreign currency translation adjustments		**(532,318)**	(27,296)

General Manager

Finance Manager

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

1. GENERAL

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P.O. Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Authority ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorisation from SAMA to commence insurance operations as product approval and related formalities were completed.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by SAMA. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

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

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of certain available for sale investments, investment in associates which is accounted for under the equity method and employees' end of service benefits at present value.

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

2. BASIS OF PREPARATION (CONTINUED)

(a) Basis of presentation and measurement (continued)

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

(b) Functional and presentational currency

The functional and presentation currency of the Company is Saudi Arabian Riyals.

(c) Fiscal year

The Company follows a fiscal year ending December 31.

(d) Critical accounting judgments, estimates and assumptions

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

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

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

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

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

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Actuary had also used a segmentation approach including analysing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of financial assets

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

2. BASIS OF PREPARATION (CONTINUED)

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

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

3. NEW STANDARDS AND AMENDMENTS ISSUED

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

Amendments to References to the Conceptual Framework in IFRS Standards
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

- **Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022**
- **Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37)**
- **Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED

IFRS 17 – Insurance Contracts

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

Initial and subsequent measurement
For insurance contracts issued, on initial recognition, the company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.
The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.
There are no investment components within insurance contracts issued by the company.

LIC
The company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The company presents the entire change in risk adjustment as part of insurance service results.

The company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. The company however did discount the LIC for the time value of money given the long tail nature of the settlement of the incurred claims as a portion of the LIC is expected to be carried over beyond 12 months.
Insurance acquisition costs
Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

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

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 17 – Insurance Contracts (CONTINUED)

Onerous contract
Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Group of contracts are determined by first identifying portfolios of contracts, each comprising groups of contracts with similar risks which are managed together. Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolio is further divided based on expected profitability at inception into three categories.
- Group of contracts that are onerous on initial recognition
- Group of contracts that, on initial recognition have no significant possibility of becoming onerous, and
- Group of remaining contracts

Disclosures
The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is decrease in the Company's total equity of SAR34.7m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

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

Impact on Equity

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 17 on Jan 1, 2022**
Risk adjustments, net	(4,141,650)
Loss component, net of contribution deficiency reserve	(31,581,977)
Discounting on liability for incurred claims ('LIC'), net of Reinsurance	1,916,835
Others	(864,720)
Total Impact	**(34,671,512)**

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)
IFRS 17 – Insurance Contracts (CONTINUED)

Impact on Liabilities and Assets

Impact on Liabilities	**Impact on equity on transition to IFRS 17 on Jan 1, 2022**
Risk adjustment on liability for incurred claims ('LIC')	4,583,687
Discounting of LIC	(2,304,997)
Loss component, net of contribution deficiency reserve	31,581,977
Total Impact on Liabilities	**33,860,667**

Impact on Assets	**Impact on equity on transition to IFRS 17 on Jan 1, 2022**
Risk adjustment on amounts recoverable for incurred claims ('AIC')	442,037
Discounting of AIC	(388,162)
Deferred insurance acquisition cost - reclassification	1,431,481
Premium receivable - reclassification	(5,532,651)
RI receivable - reclassification	3,237,735
Others	(1,285)
Total Impact on Assets	**(810,845)**

The above numbers are based on the dry runs which have been audited by the external auditors and independent actuarial team of the auditor. However, the standard is still not officially effective and there are still many uncertainties relating to above transition impact. Following are the key uncertainties but may not be the complete list:
1) data reconciliation and integrations;
2) System implementations
3) Further audit and reviews;
4) Actuarial assumptions
5) Market assumptions
6) Industrial pools and related data limitations
7) Bulk receipt matching assumptions etc.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

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

a) Classification and measurement:

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

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

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

ii. the contractual terms of cash flows are SPPI,

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

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

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

b) Impairment:

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

c) Hedge accounting:

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

Effective date

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

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

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

b. annual reporting periods beginning on or after January 1, 2021 which was then deferred to January 1, 2022. The IASB has extended the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

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

The Company has performed a detailed assessment beginning Jan 01, 2020 which included below:

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

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

Impact assessment:

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.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

Structure and status of the Implementation project

The company has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by a steering committee. The preparation for IFRS 9 has required some changes to the company's reporting systems. The company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

Significant Judgements and Accounting Policy Choices

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Classification and subsequent measurement of financial assets
The Company classifies its financial assets in the following measurement categories:
a. Available for Sale;
b. Held at amortised cost.

Investment in the equity shares and mutual funds are classified as AFS, Investments in sukuks, time deposits, balances with banks, statutory deposits and Premium and reinsurance receivables are classified as held at amortized cost. Currently, there is no debt instrument which has been classified as FVOCI or FVTPL by the Company.

The classification requirements for debt and equity instruments are described below:
Debt instruments
Classification and subsequent measurement of debt instruments depend on:
(i) the Company's business model for managing the financial assets; and
(ii) (ii) the contractual cash flow characteristics of the financial assets.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

The Company expects that majority of the term-deposits to be classified as financial assets at amortized cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. Further details of the specific IFRS 9 accounting policies applied in the current year are described in more detail in below:

S.no	Particulars	IAS 39	IFRS 9
		Measurement category	Measurement category
	Financial Assets		
1	Cash and cash equivalents	Amortized cost	Amortized cost
2	Time Deposits	Amortized cost	Amortized cost
3	Mutual Funds	Available for sale (AFS)	Fair Value through profit and loss (FVTPL)
4	Quoted equity shares	AFS	Fair Value through profit and loss (FVTPL)
5	Un-Quoted Local equity shares	AFS	FVTPL/FVOCI
6	Quoted Fixed Income Securities	AFS	Fair Value through profit and loss (FVTPL)
7	Sukuks	Held to Maturity (HTM)	Amortized cost
8	Statutory Deposit	Amortized cost	Amortized cost

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVTPL.

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 10. Profit income from these financial assets is included in 'Income from deposits and Income from Sukuks' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Income from deposits and Income from Sukuks' using the effective profit method. Currently the company has measure it AFS financial asset as FVOCI.
- Fair value through statement of income (FVTPL): Assets that are held for trading purpose or assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established. Currently, all equity securities are designated through FVOCI as at 31 December 2022.

Any gain or loss on the disposal of equity classified as FVOCI will be non- recycling i.e. on disposal, fair value movement residing in OCI will be moved directly from OCI to retained earnings.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

Financial assets – Impairment

Overview of Expected Credit Loss ('ECL') principles

The company will recognize loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and Bank balances
- Other receivables balances

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortized cost, Premium and reinsurance receivables as rights and obligations under insurance contracts are accounted for under IFRS 17 because the policyholder transfers to the insurer significant insurance rather than financial risk, and FVOCI, which are in the scope of IFRS 9 for impairment. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company assesses, at each reporting date, whether there is objective evidence that Premium and reinsurance receivables are impaired. Evidence of impairment may include; significant financial difficulty of the issuer or debtor, a breach of contract, such as a default or delinquency in payments, it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, or observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

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

If there is objective evidence that an impairment loss on a financial asset exists, the impairment for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

No impairment loss will be recognized on equity instruments. The 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.

The company will measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The company will consider debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is typically determined by using a matrix which uses historical credit loss experience of the Company.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

Staging of financial assets

Investments

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

a- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

b- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

c- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

d- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

e- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Significant increase in credit risk
The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:
- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

Qualitative criteria:
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;

- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset
At each reporting date, the company will assess whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

ECL methodology and measurement
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 by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required. For all contracts, lifetime ECL is computed.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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 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 company will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group will analyze the relationship between key economic trends with the estimate of PD.

Presentation of allowance for ECL in the Balance sheet
Loss allowances for ECL are presented in the Balance sheet as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the Balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

Financial liabilities
Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities at fair value through statement of income (FVTPL): this classification is applied to financial liabilities at FVTPL at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments
Transition

The Company estimates that, on adoption of IFRS 9, the impact of these changes (before tax) is a decrease in the Company's total equity of SAR2.45 m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

Adjustments due to adoption of IFRS 9	01-Jan-22
Classification of financial assets Fair value reserves transferred to P&L (PH & SH)	3,702,737
ECL Impairment effect on Cash & Cash Equivalent – Retained Earnings Impact	(680,662)
ECL Impairment effect on Time Deposit – Retained Earnings Impact	(1,744,628)
ECL Impairment effect on Sukuk – Retained Earnings Impact	(19,839)
ECL Impairment effect on Statutory Deposit – Retained Earnings Impact	(31,33)
Total Impact on Retained Earnings as 1/1/2022	**1,254,475**
Total Impact on Equity as 1/1/2022	**(2,448,262)**

Summary of the classification and measurement assessment at date of reporting as of 31 December 2021 is as follow:

S.no	Particulars	IAS 39		IFRS 9	
		Measurement category	Carrying amount	Measurement category	Carrying amount
	Financial Assets		**SAR**		**SAR**
1	Cash and cash equivalents	Amortized cost	237,886,895	Amortized cost	237,206,233
2	Time Deposits	Amortized cost	333,742,623	Amortized cost	331,997,996
3	Mutual Funds	Available for sale (AFS)	65,827,812	Fair Value through profit and loss (FVTPL) (Mandatory)	65,827,812
4	Quoted equity shares	AFS	12,702,270	Fair Value through profit and loss (FVTPL) (Mandatory)	12,702,270
5	Un-Quoted Local equity shares	AFS	1,923,078	FVTPL	1,923,078
6	Quoted Fixed Income Securities	AFS	71,226,988	Fair Value through profit and loss (FVTPL) (Mandatory)	71,226,988
7	Sukuks	Held to Maturity (HTM)	5,000,000	Amortized cost	4,980,161
8	Statutory Deposit	Amortized cost	30,000,000	Amortized cost	29,996,869
	Total financial assets		**758,309,666**		**754,592,871**
	Non - Financial Assets				
1	Premium receivable	Not applicable	48,151,240	Not applicable	31,433,879
2	Reinsurance receivables	Not applicable	6,234,566	Not applicable	6,224,784
3	Reinsurers' share of outstanding claims / IBNR	Not applicable	14,949,541	Not applicable	14,883,786
	Total Non-financial assets		**69,335,347**		**52,542,449**

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE OR ADOPTED (CONTINUED)

IFRS 9 – Financial Instruments

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes (before tax) is a reduction in the Company's total equity of 37.12m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

Transition To	**Change in Equity @ 1 January 2022**
IFRS17	(34,671,512)
IFRS9	(2,448,262)
Total Impact	**(37,119,774)**

The above change in equity will affect the solvency ratio of the Company which will be estimated and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Product classification
The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. 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.

Premiums earned and commission income
Premiums are taken into income and recorded in the statement of income, over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Premiums and reinsurance balances receivable
Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in the statement of income. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following year is included in the statement of income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of income, in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported ("IBNR") at the reporting date. The ultimate liability may be in excess of or less than the amount provided. The Company also relies primarily on the IBNR reserves as ultimately set out by the Company's actuary.

Any difference between the provisions at reporting date and settlements and provisions in the following year is included in the statement income for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date

Fair value measurement

The Company measures financial instruments, such as investments in available for sale or derivatives if any, and non-financial assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 15. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as set out above. The Company's management determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, if any.

The investment committee compares at each reporting date, changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

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

Past service cost are recognised in statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date the Company recognizes related restructuring costs

Interest expense or income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income under general and administrative expenses:

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

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

Deferred policy acquisition costs
Commissions paid are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. For marine and engineering, such costs are deferred on the same basis as premiums are earned. Amortisation is recorded 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. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance
Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions, if any, and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment, if any is recognised in the statement of income.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Property and equipment
Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of income operations on a straight-line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed to determine any impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Expenditure for repairs and maintenance is charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Right of use assets and lease liabilities
The Company has recognised new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in- substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

Special commission income
Special commission income is recognised on an effective yield basis.

Statutory deposit
Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand and at banks and time deposits with original maturities of less than three months from the date of the acquisition.

Statutory reserve
In accordance with its by-laws, the Company allocates 20% of its net income of each year to the statutory reserve until it has built up a reserve equal to the share capital.

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at the reporting date. All differences are taken to the statement of income.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of insurance or shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

Impairment and un-collectability of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

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 amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segmental reporting
An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief executive officer who the chief is operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has five reportable operating segments as follows:

- Motor insurance which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical products which provide health care cover to policyholders.
- Property which provides coverage against fire, and any other insurance included under this class of insurance.
- Marine products which provide cover for unpredictable events during sea voyage and inland transit with solutions against unfortunate events incidences during travel and transit.
- Others which include Engineering products and General Accident and liability which provides coverage against unfortunate events with respect to activities undertaken during construction projects, accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Money and certain public liability insurances.

Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis. Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the financial statements.

Transfer pricing for intersegment transactions between operating segments are set on an arm’s length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

Investments
All investments are initially recognised at their fair value, including acquisition charges associated with the investment, excluding those held at fair value through income statement. For investments that are traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

Available for sale investments (“AFS”)
Available for sale investments include equity, debt securities and investment funds. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under fair value reserve gain/ (loss) on available for sale investments’. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement income. Where the Company holds more than one investment in the same security they are deemed to be disposed of on a ‘first in first out’ basis. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding AFS investments are recognised in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognised in the statement of income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Held to maturity investments ("HTM")

Held to maturity investments are non-derivative financial assets which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity and are initially measured at amortised cost adjusted by the amount of amortisation of premium or accretion of discount using the effective interest method. Any permanent decline in value of HTM investments is recognised in the statement of income. Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the longer-term nature of these investments.

Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of an investee entity. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements of the Company include the Company's share of the profit or loss and other comprehensive income, until the date on which significant influence ceases. Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. The reporting dates of the associate are identical to the Company's reporting dates and their accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

6. CASH AND CASH EQUIVALENTS

	2022		2021	
	Insurance operations SAR	**Shareholders' operations SAR**	Insurance operations SAR	Shareholders' operations SAR
Bank balances and cash	**199,115,005**	**35,093,550**	170,713,065	66,232,040
Deposits maturing within 3 months from the acquisition date	**-**	**20,701,497**	941,790	-
	199,115,005	**55,795,047**	171,654,855	66,232,040

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission income at an average rate of 5.6% per annum (2021: 1.7% per annum).

Both bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

7. TIME DEPOSITS

Time deposits are placed with local banks and financial institutions with an original maturity of more than three months from the date of acquisition and earned special commission income at an average rate of 5.65% per annum (2021: 4.09% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

8. PREPAID EXPENSES AND OTHER ASSETS

	2022		2021	
	Insurance operations SAR	**Shareholders' operations SAR**	Insurance operations SAR	Shareholders' operations SAR
Accrued commission income	**3,745,171**	**5,031,367**	3,613,161	3,539,470
Insurance syndicate receivable	**11,474,749**	**-**	7,088,387	-
Deferred third party administrator fees	**1,074,942**	**-**	2,370,766	-
Advances paid to suppliers	**1,132,479**	**-**	1,659,604	-
Prepaid rent	**319,722**	**-**	367,506	-
Others	**19,584,017**	**96,143**	23,600,346	607,145
	37,331,080	**5,127,510**	38,699,770	4,146,615

9. PREMIUMS AND REINSURERS' RECEIVABLE, NET

(a) Premiums and reinsurers' receivables comprised of the following:

	2022 SAR	2021 SAR
Premiums receivable	**91,995,286**	48,151,240
Less: Allowance for doubtful debts	**(15,444,636)**	(11,184,720)
	76,550,650	36,966,520
Reinsurers' receivable	**10,302,937**	6,234,566
Less: Allowance for doubtful debts	**(1,675,940)**	(3,313,272)
	8,626,997	2,921,294
Total premiums and reinsurers' receivable, net	**85,177,647**	39,887,814

(b) The movement in allowance for doubtful policyholders' and reinsurance balances for the year is set out below:

2022	**Policyholders SAR**	**Reinsurers' SAR**	**Total SAR**
Beginning balance	**11,184,720**	**3,313,272**	**14,497,992**
(Reversal)/Charge for the year	**4,259,916**	**(1,637,332)**	**2,622,584**
Closing balance	**15,444,636**	**1,675,940**	**17,120,576**

2021	Policyholders SAR	Reinsurers' SAR	Total SAR
Beginning balance	14,059,921	1,044,231	15,104,152
Charge/(Reversal) for the year	(2,875,201)	2,269,041	(606,160)
Closing balance	11,184,720	3,313,272	14,497,992

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

			Past due but not impaired		
2022	**Total SAR**	**Neither past due nor impaired SAR**	**91 to 180 days SAR**	**181 to 365 Days SAR**	**More than 365 days SAR**
Policyholders'	**76,550,650**	**46,393,516**	**15,707,457**	**14,449,677**	**-**
Reinsurers	**8,626,997**	**2,508,043**	**1,414,960**	**4,508,304**	**195,690**
2021					
Policyholders'	36,966,520	24,441,317	5,359,832	7,165,371	-
Reinsurers	2,921,294	1,928,320	71,062	13,988	907,924

Balances due from reinsurers are with counterparties who have investment grade credit ratings which is equivalent to AA+ to BBB under Standard and Poor's rating methodology.

10. TECHNICAL RESERVES

(a) NET OUTSTANDING CLAIMS AND RESERVES

	2022 SAR	2021 SAR
Gross outstanding claims	**76,956,277**	83,717,517
Claims incurred but not reported	**41,364,069**	27,395,774
Premium deficiency reserve	**17,502,915**	26,312,790
Other technical reserves *	**4,637,511**	5,470,428
	140,460,772	142,896,509
Less:		
Reinsurers' share of outstanding claims	**(16,099,413)**	(10,362,152)
Reinsurers' share of claims incurred but not reported	**(2,059,565)**	(4,587,389)
	(18,158,978)	(14,949,541)
Net outstanding claims and other reserves	**122,301,794**	127,946,968

* Other technical reserves comprise of the following:

	2022 SAR	2021 SAR
Unallocated loss adjustment expense	**3,478,864**	5,104,414
Reinsurance accrual reserve	**1,158,647**	366,014
	4,637,511	5,470,428

(b) MOVEMENT IN UNEARNED PREMIUMS

	2022			2021		
	Gross SAR	**Reinsurance SAR**	**Net SAR**	Gross SAR	Reinsurance SAR	Net SAR
Beginning balance	**181,232,083**	**(12,536,185)**	**168,695,898**	91,976,873	(15,250,132)	76,726,741
Premiums written during the year	**368,839,351**	**(46,483,381)**	**322,355,970**	290,711,903	(36,999,966)	253,711,937
Premiums earned during the year	**(415,626,604)**	**46,084,180**	**(369,542,424)**	(201,456,693)	39,713,913	(161,742,780)
Closing balance	**134,444,830**	**(12,935,386)**	**121,509,444**	181,232,083	(12,536,185)	168,695,898

(c) UNEARNED REINSURANCE COMMISSION

	2022 SAR	2021 SAR
Beginning balance	**1,758,780**	1,606,945
Reinsurance commission incurred during the year	**6,522,968**	7,663,260
Reinsurance commission earned during the year	**(6,256,912)**	(7,511,425)
Closing balance	**2,024,836**	1,758,780

10. TECHNICAL RESERVES (CONTINUED)

(d) MOVEMENT IN DEFERRED POLICY ACQUISTION COSTS

	2022	2021
	SAR	SAR
Beginning balance	**8,640,690**	3,733,851
Incurred during the year	**20,976,254**	15,972,636
Amortised during the year	**(21,735,942)**	(11,065,797)
Closing balance	**7,881,002**	8,640,690

11. CLAIMS DEVELOPMENT TABLE

Claims triangulation analysis by accident year

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

GROSS				**2022**			
Accident year	**31 December 2017 and earlier**	**31 December 2018**	**31 December 2019**	**31 December 2020**	**31 December 2021**	**31 December 2022**	**Total**
	SAR	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
Estimate of cumulative claims:							
At end of accident year	**323,484,785**	**268,242,289**	**275,257,990**	**171,071,337**	**150,480,073**	**403,197,571**	**-**
One year later	**282,270,228**	**225,865,951**	**246,666,160**	**142,956,617**	**135,709,539**		**-**
Two years later	**260,400,803**	**218,815,831**	**245,330,619**	**135,803,152**	**-**		**-**
Three years later	**256,138,211**	**211,563,337**	**235,666,067**	**-**	**-**		**-**
Four years later	**246,575,427**	**204,057,080**	**-**	**-**	**-**		**-**
Five years later	**1,189,584,135**	**-**	**-**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims incurred	**1,189,584,135**	**204,057,080**	**235,666,067**	**135,803,152**	**135,709,539**	**403,197,571**	**2,304,017,544**
Cumulative payments to date	**(1,184,127,974)**	**(201,916,426)**	**(232,356,111)**	**(129,522,765)**	**(127,420,699)**	**(310,353,223)**	**(2,185,697,198)**
Total cumulative gross claim reserves recognised in statement of financial position	**5,456,161**	**2,140,654**	**3,309,956**	**6,280,387**	**8,288,841**	**92,844,347**	**118,320,346**

NET (after considering effect of reinsurance)				**2022**			
Accident year	**31 December 2017 and earlier**	**31 December 2018**	**31 December 2019**	**31 December 2020**	**31 December 2021**	**31 December 2022**	**Total**
	SAR	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**	**SAR**
Estimate of cumulative claims:							
At end of accident year	**294,398,521**	**249,529,105**	**254,264,989**	**161,565,269**	**141,916,147**	**383,867,681**	**-**
One year later	**256,929,714**	**215,187,713**	**229,192,038**	**137,999,442**	**132,499,428**		**-**
Two years later	**244,422,302**	**208,641,058**	**228,189,732**	**131,553,627**	**-**		**-**
Three years later	**240,304,346**	**202,825,216**	**219,716,582**	**-**	**-**		**-**
Four years later	**232,374,963**	**195,857,437**	**-**	**-**	**-**		**-**
Five years later	**1,043,854,740**	**-**	**-**	**-**	**-**	**-**	**-**
Current estimate of cumulative claims incurred	**1,043,854,740**	**195,857,437**	**219,716,582**	**131,553,627**	**132,499,428**	**383,867,681**	**2,107,349,494**
Cumulative payments to date	**(1,040,261,704)**	**(193,740,847)**	**(216,655,379)**	**(125,700,015)**	**(124,487,027)**	**(306,343,155)**	**(2,007,188,126)**
Total cumulative net claim reserves recognised in statement of financial position	**3,593,036**	**2,116,590**	**3,061,203**	**5,853,612**	**8,012,401**	**77,524,526**	**100,161,368**

11. CLAIMS DEVELOPMENT TABLE (CONTINUED)

GROSS

	2021						
Accident year	31 December 2016 and earlier	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	262,477,634	323,484,785	268,242,289	275,257,990	171,071,337	150,480,073	-
One year later	238,101,886	282,270,228	225,865,951	246,666,160	142,956,617	-	-
Two years later	217,787,080	260,400,803	218,815,831	245,330,619	-	-	-
Three years later	205,857,633	256,138,211	211,563,337	-	-	-	-
Four years later	201,389,401	246,575,427	-	-	-	-	-
Five years later	960,339,241	-	-	-	-	-	-
Current estimate of cumulative claims incurred	960,339,241	246,575,427	211,563,337	245,330,619	142,956,617	150,480,073	1,957,245,314
Cumulative payments to date	(945,217,123)	(242,195,112)	(202,271,040)	(231,663,941)	(127,653,818)	(97,130,989)	(1,846,132,023)
Total cumulative gross claim reserves recognised in statement of financial position	15,122,118	4,380,315	9,292,297	13,666,678	15,302,799	53,349,084	111,113,291

NET (after considering effect of reinsurance)

	2021						
Accident year	31 December 2016 and earlier	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Estimate of cumulative claims:							
At end of accident year	230,423,840	294,398,521	249,529,105	254,264,989	161,565,269	141,916,147	-
One year later	202,841,835	256,929,714	215,187,713	229,192,038	137,999,442	-	-
Two years later	193,358,693	244,422,302	208,641,058	228,189,732	-	-	-
Three years later	187,019,653	240,304,346	202,825,216	-	-	-	-
Four years later	183,850,639	232,374,963	-	-	-	-	-
Five years later	821,814,135	-	-	-	-	-	-
Current estimate of cumulative claims incurred	821,814,135	232,374,963	202,825,216	228,189,732	137,999,442	141,916,147	1,765,119,635
Cumulative payments to date	(812,466,246)	(228,109,096)	(193,949,807)	(215,702,722)	(123,657,386)	(95,070,628)	(1,668,955,885)
Total cumulative net claim reserves recognised in statement of financial position	9,347,889	4,265,867	8,875,409	12,487,010	14,342,056	46,845,519	96,163,750

12. PROPERTY, EQUIPMENT AND INTANGILBLE ASSETS, NET

The estimated useful lives of property, equipment and intangible assets for the calculation of depreciation are as follows:

Leasehold improvements	6-7 years	Furniture, fixtures and office equipment	6-10 years
Computer equipment and intangibles	4 years	Motor vehicles	4 years

	Leasehold improvements SAR	**Furniture, fixtures and office equipment SAR**	**Computer equipment and intangibles SAR**	**Motor vehicles SAR**	**Total 2022 SAR**	Total 2021 SAR
Cost:						
Beginning balance	2,660,432	3,837,361	12,157,714	44,001	**18,699,508**	17,596,044
Additions	161,639	21,750	1,238,680	-	**1,422,069**	2,000,125
Disposals	(2,034,105)	(1,659,191)	(250,745)	-	**(3,944,041)**	(896,661)
	787,966	2,199,920	13,145,649	44,001	**16,177,536**	18,699,508
Accumulated depreciation:						
Beginning balance	2,255,299	2,052,795	10,217,866	43,997	**14,569,957**	13,878,691
Charge for the year	110,114	349,403	1,086,560	-	**1,546,077**	1,459,936
Disposals	(1,881,988)	(1,361,341)	(235,079)	-	**(3,478,408)**	(768,670)
	483,425	1,040,857	11,069,347	43,997	**12,637,626**	14,569,957
Net book value:						
December 31, 2022	**304,541**	**1,159,063**	**2,076,302**	**4**	**3,539,910**	
December 31, 2021	405,133	1,784,566	1,939,848	4		4,129,551

13. INVESTMENTS

(i) Investments are classified as follows:

	2022		2021	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Available for sale "AFS"	**24,998,366**	**123,703,913**	25,044,590	126,635,558
Held to maturity "HTM"	-	-	-	5,000,000
Total	**24,998,366**	**123,703,913**	25,044,590	131,635,558

13. INVESTMENTS (CONTINUED)

(a) Available for sale investments ("AFS") comprises the following:

	2022		2021	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Quoted equity securities	**-**	**12,528,405**	-	12,702,270
Units in investment funds - (NAV)*	**24,998,366**	**43,792,750**	25,044,590	40,783,222
Quoted fixed income securities	**-**	**65,459,680**	-	71,226,988
Unquoted local equity investment **	**-**	**1,923,078**	-	1,923,078
Total available for sale investments	**24,998,366**	**123,703,913**	25,044,590	126,635,558

* NAV: Net Asset Value as announced by asset manager.
** This represents the share in Najm for Insurance Services Company measured at cost and the fair value was not materially different from its carrying value.

(b) Held to maturity ("HTM") comprises of domestic unquoted floating rate securities as follows:

	2022		2021	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Sukuk "Almarai" – September 2022	-	**-**	-	5,000,000
Total held to maturity investments	-	**-**	-	5,000,000

The fair value of the "HTM" investments As at 31 December 2022 was not different from its carrying value. Sukuk "Sipchem" was matured in the second quarter 2022.

(ii) The movement during the year in the investments is as follows:

	2022		2021	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Opening balance	**25,044,590**	**131,635,558**	52,732,939	199,708,514
Purchases	**34,021,648**	**39,390,770**	62,793,195	7,511,929
Disposals	**(34,700,822)**	**(39,306,099)**	(97,909,152)	(78,006,493)
Impairment	**-**	**(1,031,278)**	-	(1,218,783)
	24,365,416	**130,688,951**	17,616,982	127,995,167
Changes in fair value of investments	**654,599**	**(6,474,369)**	7,405,959	3,689,336
Foreign currency translation adjustments	**(21,649)**	**(510,669)**	21,649	(48,945)
Closing balance	**24,998,366**	**123,703,913**	25,044,590	131,635,558

13. INVESTMENTS (CONTINUED)

(iii) Investment income comprises of the following:

	2022		2021	
	Insurance Operations SAR	**Shareholders' Operations SAR**	Insurance Operations SAR	Shareholders' Operations SAR
Special commission income	**9,547,471**	**12,372,338**	4,754,317	6,743,335
Dividend income	**-**	**2,638,070**	1,155,617	7,076,045
Realized gain on sale of investments	**700,823**	**1,363,646**	11,034,144	10,051,811
Impairment of available for sale investments	**-**	**(1,031,278)**	-	(1,218,783)
Total investment income	**10,248,294**	**15,342,776**	16,944,078	22,652,408

(iv) The analysis of total investments (insurance and shareholders' operations) by counterparties is as follows:

	2022 SAR	2021 SAR
Government and quasi government	**28,061,027**	30,249,543
Banks and financial institutions	**35,912,491**	35,488,168
Corporates and investment funds	**84,728,761**	90,942,437
Total	**148,702,279**	156,680,148

(v) The credit quality of total investments (insurance and shareholders' operations) is as follows:

	2022 SAR	2021 SAR
Investment grade	**41,164,525**	42,643,038
Non-investment grade	**32,823,560**	41,286,220
Unrated	**74,714,194**	72,750,890
Total	**148,702,279**	156,680,148

14. INVESTMENT IN ASSOCIATE

The Company's interest in associate, which is unquoted, is as follows along with summarized financial information:

Gulf Warranties Insurance Services (Limited liability Company)

As of	**Country of Incorporation**	**Assets**	**Liabilities**	**Revenue**	**Profit/(Loss)**	**%Interest**
		SAR				
December 31, 2022	**Saudi Arabia**	**5,213,683**	**2,301,286**	**4,502,019**	**1,438,766**	**40%**
December 31, 2021	Saudi Arabia	4,045,245	2,571,705	2,286,562	(299,282)	40%

Based on latest management accounts for the year ended 31 December 2022 and 2021.

	2022 SAR	2021 SAR
Balance, January 1	**597,960**	700,618
Share of profit /(loss)	**536,611**	(102,658)
Balance, December 31	**1,134,571**	597,960

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- in the accessible principal market for the assets or liability, or
- in the absences of a principal market, in the most advantages accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the financial statements.

Determination of fair value and fair value hierarchy

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

- Level 1 - quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2 – quoted prices in active markets for similar assets 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.

2022	**Level 1 SAR**	**Level 2 SAR**	**Level 3 SAR**	**Total SAR**
Available for sale				
- Equities	**12,528,405**	**-**	**1,923,078**	**14,451,483**
- Fixed income securities	**65,459,680**	**-**	**-**	**65,459,680**
- Units in investment and real estate funds	**-**	**68,791,116**	**-**	**68,791,116**
	77,988,085	**68,791,116**	**1,923,078**	**148,702,279**
2021				
Available for sale				
- Equities	12,702,270	-	1,923,078	14,625,348
- Fixed income securities	71,226,988	-	-	71,226,988
- Units in investment and real estate funds	-	65,827,812	-	65,827,812
	83,929,258	65,827,812	1,923,078	151,680,148

Transfers between levels

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets depreciation charge and balance are as follows:

	2022 SAR	2021 SAR
Cost		
As at 1 January	**9,468,149**	7,946,701
Additions	**-**	2,740,619
Deletions	**(6,727,530)**	(1,219,171)
As at 31 December	**2,740,619**	9,468,149
Accumulated Depreciation		
As at 1 January	**3,766,720**	3,377,274
Charge	**1,230,319**	1,608,617
Disposals	**(3,590,476)**	(1,219,171)
As at 31 December	**1,406,563**	3,766,720
Carrying Value as at 31 December	**1,334,056**	5,701,429

Lease liabilities as at year end are as follows:

	2022 SAR	2021 SAR
Non-current portion of lease liability	**-**	2,956,727
Current portion of lease liability	**1,092,627**	2,239,753
	1,092,627	5,196,480

The total interest expense on lease liabilities recognized during the year ended 31 December 2022 is SAR 29,459 (2021 is SAR 115,453).

17. POLICYHOLDERS AND ACCOUNTS PAYABLES

	2022 SAR	2021 SAR
Payable to policyholders	**25,984,855**	23,631,445
Brokers and salesmen commissions payable	**8,464,921**	5,139,029
Other insurance payables	**10,907,441**	11,044,879
	45,357,217	39,815,353

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022		2021	
	Insurance Operations SAR	Shareholder' Operations SAR	Insurance Operations SAR	Shareholders' Operations SAR
Excess of loss premiums and reinsurance commissions adjustments accruals	**974,405**	**-**	427,249	-
Third party claims payables	**8,205,861**	**-**	4,668,314	-
Employees' related accruals and payables	**1,193,078**	**-**	3,183,369	-
Board of directors and committee's remuneration fees and expenses	**-**	**1,757,690**	-	1,875,000
Others	**9,884,054**	**542,737**	12,641,131	675,351
	20,257,398	**2,300,427**	20,920,063	2,550,351

19. END OF SERVICE BENEFITS

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

	2022	2021
Amount recognised in the statement of financial position	**SAR**	SAR
Present value of end of service benefits	**8,227,890**	12,311,821
Net liability at end of the year	**8,227,890**	12,311,821

	2022	2021
Benefit expense (recognised in statement of income)	**SAR**	SAR
Current service costs	**2,219,444**	2,154,800
Commission rate costs	**369,354**	450,544
Benefit expense (recognised in profit or loss)	**2,588,798**	2,605,344

	2022	2021
Reconciliation of present value of end of service benefits	**SAR**	SAR
End of service benefits at beginning of the year	**12,311,821**	16,012,358
Current service costs	**2,219,444**	2,154,800
Commission rate costs	**369,354**	450,544
Actuarial gain/(loss) from experience adjustments	**(4,040,497)**	(1,648,695)
Benefits paid during the year	**(2,632,232)**	(4,657,186)
Present value of end of service benefits at end of the year	**8,227,890**	12,311,821

	2022	2021
Reconciliation of net liability in the statement of financial position	**SAR**	SAR
Opening balance	**12,311,821**	16,012,358
Charge to statement of income	**2,588,798**	2,605,344
Charge to statement of other comprehensive income	**(4,040,497)**	(1,648,695)
Payment of benefits during the year	**(2,632,232)**	(4,657,186)
Closing balance	**8,227,890**	12,311,821

Principal actuarial assumption	**2022**	2021
Valuation discount rate	**4.75%**	3.00%
Expected rate of increase in salary level across different age bands	**5.00%**	5.00%

The impact of changes in sensitivities on present value of end of service benefits liability is as follows:

	End of service benefits liability	
	2022	2021
	SAR	SAR
Central Assumptions	**8,227,890**	12,311,821
Valuation discount rate		
• Increase by 0.50%	**7,902,685**	11,814,782
• Decrease by 0.50%	**8,578,365**	12,848,206
Expected rate of increase in salary level across different age bands		
• Increase by 0.50%	**8,596,172**	12,865,533
• Decrease by 0.50%	**7,883,099**	11,793,475

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2022		2021	
	Insurance operations SAR	**Shareholders' operations SAR**	Insurance operations SAR	Shareholders' operations SAR
Employees' salaries and all staff related costs	**41,864,308**	**-**	44,524,654	-
Office rent	**3,103,702**	**-**	3,931,345	-
Legal and professional fees	**3,575,746**	**-**	4,317,651	-
Utilities and telecommunications	**2,196,187**	**-**	1,827,677	-
Information technology expenses	**2,574,264**	**-**	2,566,387	-
Depreciation of property, equipment and intangible assets	**1,546,077**	**-**	1,459,936	-
Stationery and office supplies	**364,393**	**-**	383,166	-
Withholding taxes	**405,884**	**-**	127,545	-
Board of Directors and committees remuneration fees and expenses	**-**	**1,870,806**	-	2,544,112
Listing fees	**-**	**376,821**	-	369,467
Others	**8,083,619**	**341,290**	7,397,403	1,844,692
	63,714,180	**2,588,917**	66,535,764	4,758,271

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

		Transactions for the year ended		**Balance as at**	
Related party	***Nature of transactions***	**31 December 2022 SAR**	31 December 2021 SAR	**31 December 2022 SAR**	31 December 2021 SAR
Major Shareholders	Insurance premium written	**13,075,211**	14,396,900	**9,259,420**	5,712,102
	Claims paid	**2,084,264**	1,905,321	**-**	-
	Reinsurance premium ceded	**357,347**	2,782,646	**(1,330,678)**	(4,094,797)
Board of Directors and committees' members	Remuneration fees, allowances and other expense	**1,870,806**	2,544,112	**(1,757,690)**	(2,091,840)
	Insurance premium written	**19,637,440**	22,423,243	**5,527,970**	4,900,875
	Claims paid	**2,084,264**	6,044,387	**-**	-
	Insurance brokerage contracts	**2,008,388**	3,442,863	**(2,219,320)**	(1,549,720)
Associate	General and administrative expenses paid on behalf of the associate	**-**	-	**-**	510,973

Balances in respect of the above transactions with related parties are included in the relevant accounts in the statements of financial position and statement of income.

21. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Compensation of key management personnel

Key management personnel of the Company include five top executives including the Chief Executive Officer and Finance Manager. The summary of compensation of key management personnel for the year is as follows:

	2022 SAR	2021 SAR
Short term benefits	**4,154,418**	3,023,047
End of service benefits	**174,795**	128,984
	4,329,213	3,152,031

22. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with local bank designated by SAMA in accordance with the Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

Accrued interest on the statutory deposit amounting to SR 2,582,066 (31 December 2021: SR 2,353,079) has been presented in the statement of financial position.

23. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company was SAR 300 million at 31 December 2022 (31 December 2021: SAR 300 million) consisting of 30 million shares (31 December 2021: 30 million shares) of SAR 10 each.
The shareholders of the Company are subject 100% to Zakat.

24. STATUTORY RESERVE

In accordance with the Company's By-laws and in compliance with Article 70 (2) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of net shareholders' income each year to the statutory reserve until this reserve equals to 100% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

25. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings per share for the year has been calculated by dividing the net income/loss for the year attributed to the shareholders after zakat by the number of issued and outstanding shares (30 million shares) at the year end.

26. DIVIDENDS

No Dividend declared or paid during the year 2022.

27. CONTINGENCIES AND COMMITMENTS

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

28. ZAKAT

The movement in provision during the year is set out below:

	2022 **SAR**	2021 SAR
At the beginning of the year	**32,841,217**	30,147,838
Provided during the year	**6,650,274**	11,456,333
Payments during the year	**(11,418,661)**	(8,762,954)
At the end of the year	**28,072,830**	32,841,217

The provision for the year is based on the following:

	2022 **SAR**	2021 SAR
Shareholders' equity	**434,852,783**	430,538,977
Net book value of long term assets, investments and non-current liabilities	**(74,211,988)**	(41,557,578)
Provisions	**42,577,643**	47,844,208
	403,218,438	436,825,607
Adjusted (loss)/income for the year	**(27,968,061)**	7,854,024
Zakat base	**375,250,377**	444,679,631

Status of assessments
The Company has filed zakat returns with the General Authority of Zakat, Tax & Custom Authority ("ZATCA") for the years from 2010 to 2021.

On review of the zakat return by ZATCA for the long period ended 31 December 2010, a demand of SAR 2,256,659 was raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. During 2014, ZATCA revised its assessment of the zakat return for the long period ended 31 December 2010 after taking into consideration the effect of portfolio transfer and raised an additional demand of SAR 64,738. The Company paid this demand. The final assessment has not yet been carried out by the ZATCA.

On review of the zakat return by the ZATCA for the year 2011, a demand of SAR 2,378,604 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. On February 2019 ZATCA revised its assessment of the zakat return to SAR 2,053,604 after taken into consideration the deduction of statutory deposit based on the decision of the Appeal Committee.

On review of the zakat return by the ZATCA for the year 2012, a demand of SAR 1,979,521 has been raised by the ZATCA. The Company paid this demand and filed an appeal with ZATCA. The final assessments have been carried out by the ZATCA,
ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC

On review of the zakat return by the ZATCA for the years 2013 and 2014 a demand of SAR 2,885,577 and SAR 2,885,577 respectively as initial assessments, have been raised by the ZATCA. However, the Company has filed appeals with the ZATCA. As the final assessments for 2013 and 2014 have been issued (in 2020) the 2013/2014 initial assessments have been cancelled automatically.

In 2020 the company received VAT assessments from ZATCA for the FY 2018 and 2019 amounted 3,924,845 VAT plus 1,089,003 VAT delay penalties. Company objected against the assessment and still in procedure. Company paid the VAT assessment and cancelled the penalties as per ZATCA initiatives and continue with the objection. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

28. ZAKAT (CONTINUED)
Status of assessments (continued)

In 2020, 2021 the company received zakat and WHT assessments from ZATCA for the FY 2014 to 2020, Company objected against the assessment and still in procedure. ZATCA rejected the objection and company appealed the cases in front of GSTC (High Tax Committee), the cases are still in discussion with GSTC.

The summary for the appeals in GSTC:
- From 2014 to 2018 zakat and withholding tax appeal
- For year 2012 zakat appeal
- From February to December 2018 VAT appeal
- From January to December 2019 VAT appeal
- From 2019 to 2020 zakat appeal.

29. RISK MANAGEMENT

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

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

Board of Directors
The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

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

Risk Management and Audit committees
Risk management processes throughout the Company are audited annually by the Risk and Internal Audit Departments which examines both the adequacy of the procedures and the Company's compliance with such procedures. The risk and internal audit departments discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the risk management and audit committees.

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

a) Insurance risk
Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire, general accident, engineering, motor, medical and marine risks.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, general accidents, medical and marine classes. These classes of insurance except for long tail engineering policies are general regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance excess of loss cover to limit the losses for any individual claim.

29. RISK MANAGEMENT (CONTINUED)

a) Insurance risk (continued)

Property
For property insurance contracts the main risks are fire and business interruption. The Company only underwrites policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

General accident and liability
For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, and Cash in Transit, Cash in Premises, Cash in Safe, Public Liability, Workmen's Compensation, Medical Malpractice and the like. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

Marine
For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

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. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

Engineering
For engineering the main risks is loss or damage to buildings and civil work under construction like erection for plant or equipment and their related testing and commissioning. Engineering policies extend beyond annual periods in respect of tenure. The Company mitigates such risks by recognition of lower earned premiums during the first year of long-term policies and reinsures significant risks by undertaking treaty, facultative as well as excess of loss reinsurance arrangements.

The underwriting policy is to ensure that construction all risks are comprehensive in terms of documentation of specific coverage and the risks are well diversified. Engineering all risks cover normally plant and machinery erection and is usually extended beyond erection to include testing and commissioning. Besides treaty and facultative reinsurance arrangements, the Company has reinsurance excess of loss cover to limit losses for any individual claim.

Sensitivity analysis
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 claim's liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the net claim's ratio would impact income by approximately SAR 34 million (2021: SAR 9.72 million) annually in aggregate.

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

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

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

29. RISK MANAGEMENT (CONTINUED)

b) Reinsurance risk (continued)

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board before approving them for exchange of reinsurance business. As at December 31, 2021 and 2020, there is no significant concentration of reinsurance balances.

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

c) Credit risk

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

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Company's exposure to bad debts.
- The Company deals with only those reinsurers who have a credit rating of not less than BBB. These credit ratings are monitored on a yearly basis.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks and financial institutions having strong financial positions and credit ratings.

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

	2022 (SAR)		2021(SAR)	
	Insurance' operations	**Shareholders' operations**	Insurance' operations	Shareholders' operations
Assets				
Cash and cash equivalents	**199,115,005**	**55,795,047**	171,654,855	66,232,040
Time deposits	**90,000,000**	**95,000,000**	125,118,352	208,624,271
Premiums and reinsurers' receivable, net	**85,177,647**	**-**	39,887,814	-
Investments	**24,998,366**	**131,635,558**	25,044,590	131,635,558
Reinsurers' share of outstanding claims	**16,099,413**	**-**	10,362,152	-
Statutory deposit and returns	**-**	**32,582,066**	-	32,353,079
Other assets	**37,331,080**	**5,127,510**	38,699,771	4,146,615
	452,721,511	**320,140,181**	410,767,534	442,991,563

29. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitment associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and the Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity table

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

	2022 (SAR)					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS						
Statutory deposit	-	-	-	-	32,582,066	32,582,066
Other assets	37,331,080		37,331,080	5,127,510	-	5,127,510
Reinsurers' share of outstanding claims	16,099,413	-	16,099,413	-	-	-
Premiums and reinsurance balances receivable, net	85,177,647	-	85,177,647	-	-	-
Due from insurance operations	-	-	-	114,391,640	-	114,391,640
Investments	19,456,866	5,541,500	24,998,366	100,063,323	31,572,235	131,635,558
Time deposits	90,000,000	-	90,000,000	95,000,000	-	95,000,000
Cash and cash equivalents	199,115,005	-	199,115,005	55,795,047	-	55,795,047
TOTAL ASSETS	447,180,011	5,541,500	452,721,511	370,377,520	64,154,301	434,531,821

	2022(SAR)					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
LIABILITIES						
Outstanding claims	76,956,277	-	76,956,277	-	-	-
End-of-service benefits	-	8,227,890	8,227,890	-	-	-
Policyholders and accounts payables	45,357,217	-	45,357,217	-	-	-
Reinsurers' balances payable	14,995,195	-	14,995,195	-	-	-
Zakat payable	-	-	-	28,072,829	-	28,072,829
Accrued expenses and other liabilities	20,257,398	-	20,257,398	2,300,428	-	2,300,428
Due to shareholders' operations	114,391,640	-	114,391,640	-	-	-
Statutory deposit investment returns	-	-	-	-	2,582,066	2,582,066
TOTAL LIABILITIES	271,957,727	8,227,890	280,185,617	30,373,257	2,582,066	32,955,323

29. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk (continued)

	2021(SAR)					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
ASSETS						
Statutory deposit	-	-	-	-	32,353,079	32,353,079
Other assets	38,699,770		38,699,770	4,146,615	-	4,146,615
Reinsurers' share of outstanding claims	10,362,152	-	10,362,152	-	-	-
Premiums and reinsurance balances receivable, net	39,887,814	-	39,887,814	-	-	-
Due from insurance operations	-	-	-	36,576,338	-	36,576,338
Investments	19,719,290	5,325,300	25,044,590	116,894,098	14,741,460	131,635,558
Time deposits	125,118,352	-	125,118,352	208,624,271	-	208,624,271
Cash and cash equivalents	171,654,855	-	171,654,855	66,232,040	-	66,232,040
TOTAL ASSETS	405,442,233	5,325,300	410,767,533	432,473,362	47,094,539	479,567,901

	2021(SAR)					
	Insurance operations			Shareholders' operations		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
LIABILITIES						
Outstanding claims	83,717,517	-	83,717,517	-	-	-
End-of-service benefits	-	12,311,821	12,311,821	-	-	-
Policyholders and accounts payables	39,815,353	-	39,815,353	-	-	-
Reinsurers' balances payable	10,408,950	-	10,408,950	-	-	-
Zakat payable	-	-	-	32,841,217	-	32,841,217
Accrued expenses and other liabilities	20,920,062	-	20,920,062	2,550,351	-	2,550,351
Due to shareholders' operations	36,576,338	-	36,576,338	-	-	-
Statutory deposit investment returns	-	-	-	-	2,353,079	2,353,079
TOTAL LIABILITIES	191,438,220	12,311,821	203,750,041	35,391,568	2,353,079	37,744,647

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investments securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

e) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's income for one year.

29. RISK MANAGEMENT (CONTINUED)

f) Currency risk

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

The Company's transactions are principally in Saudi Arabian Riyals and US Dollars. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

g) Market price risk

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

The Company has investments in quoted 'sukuks', fixed rate bonds and locally quoted equities and investment funds (see note 13a), which have been classified under 'available for sale' investments. The Company limits its market price risks by closely monitoring developments in markets in which such investments are quoted. A 5% change in the market price of these quoted investments, with all other variables held constant, would change the 'other comprehensive income' and consequently 'shareholders' equity (for investments held under shareholders' operations) by SAR 3.27 million (2021: SAR 4.20 million).

h) Capital management

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

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

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

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

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

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

29. RISK MANAGEMENT (CONTINUED)

i) **Operational Risk**

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

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

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

30. INSURANCE OPERATING SEGMENTS

Consistent with the Company’s internal reporting process, insurance operating segments have been approved by Management in respect of the Company’s activities, assets and liabilities as stated below.
Segment results do not include general and administrative expenses, allowance for doubtful debts, income on term deposits and investments, gain or loss on property, plant and equipment and investments. Accordingly, they are included in unallocated expenses or income.
Segment assets do not include insurance operations’ property and equipment, investments, prepayments and other assets, premiums and reinsurance balances receivable, cash and cash equivalents and time deposits. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations’ due to shareholders operations, employees’ end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities and insurance operations’ surplus. Accordingly they are included in unallocated liabilities.

For the year ended 31 December 2022	**Motor**	**Medical**	**Property & Casualty**	**Total**
Gross written premiums				
Individuals	**170,476,828**	**3,714,713**	**268,174**	**174,459,715**
Very small enterprises	**4,650,476**	**71,900,990**	**1,406,276**	**77,957,742**
Small enterprises	**15,061,157**	**771,344**	**8,385,756**	**24,218,257**
Medium sized enterprises	**7,853,105**	**2,042**	**11,985,792**	**19,840,939**
Large enterprises	**43,194,580**	**27,993**	**29,140,125**	**72,362,698**
Total gross written premiums	**241,236,146**	**76,417,082**	**51,186,123**	**368,839,351**
REVENUES				
Gross written premiums	**241,236,146**	**76,417,082**	**51,186,123**	**368,839,351**
Reinsurance premiums ceded				
- Local	**-**	**-**	**(4,672,892)**	**(4,672,892)**
- Foreign – Direct	**-**	**-**	**(6,400,157)**	**(6,400,157)**
- Foreign – Through local reinsurance broker	**-**	**-**	**(27,433,735)**	**(27,433,735)**
Excess of loss premiums				
- Local	**(418,838)**	**383,963**	**(659,947)**	**(694,822)**
- Foreign – Through local reinsurance broker	**(1,265,241)**	**(3,717,121)**	**(2,299,413)**	**(7,281,775)**
Net premiums written	**239,552,067**	**73,083,924**	**9,719,979**	**322,355,970**
Change in unearned premiums, net	**17,701,145**	**28,733,380**	**751,929**	**47,186,454**
Net premiums earned	**257,253,212**	**101,817,304**	**10,471,908**	**369,542,424**
Reinsurance commissions earned			**6,256,912**	**6,256,912**
Policy fees	**97,414**	**-**	**179,220**	**276,634**
Other underwriting income	**471,667**	**4,762,614**	**16,904,849**	**22,139,130**
TOTAL REVENUES	**257,822,293**	**106,579,918**	**33,812,889**	**398,215,100**
UNDERWRITING COSTS				
Gross claims paid	**(254,194,142)**	**(85,565,599)**	**(3,178,267)**	**(342,938,008)**
Reinsurers’ share of claims paid	**39,149**	**4,337,843**	**2,178,497**	**6,555,489**
Net claims paid	**(254,154,993)**	**(81,227,756)**	**(999,770)**	**(336,382,519)**
Changes in outstanding claims, net	**12,868,493**	**1,289,623**	**(1,659,615)**	**12,498,501**
Changes in claims incurred but not reported, net	**(16,217,062)**	**(1,154,491)**	**875,434**	**(16,496,119)**
Net claims incurred	**(257,503,562)**	**(81,092,624)**	**(1,783,951)**	**(340,380,137)**
Changes in premium deficiency reserve	**735,514**	**8,074,361**	**-**	**8,809,875**
Changes in other technical reserves	**1,376,278**	**(804,664)**	**261,303**	**832,917**
Policy acquisition costs	**(8,709,135)**	**(9,106,684)**	**(3,920,123)**	**(21,735,942)**
Inspection and supervision fees	**(1,204,087)**	**(1,148,183)**	**(229,266)**	**(2,581,536)**
Third party administrator fees	**-**	**(4,659,775)**	**-**	**(4,659,775)**
Other underwriting expenses	**(29,602,200)**	**(725,879)**	**(23,000)**	**(30,351,079)**
TOTAL UNDERWRITING COSTS	**(294,907,192)**	**(89,463,448)**	**(5,695,037)**	**(390,065,677)**
NET UNDERWRITING SURPLUS/(DEFICIT)	**(37,084,899)**	**17,116,470**	**28,117,852**	**8,149,423**
Unallocated other operating expenses				**(66,336,764)**
Unallocated investment and other income				**12,254,039**
DEFICIT FROM INSURANCE OPERATIONS				**(45,933,302)**

30. INSURANCE OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2021	Motor	Medical	Property & Casualty	Total
Gross written premiums				
Individuals	132,841,519	212,517	429,337	133,483,373
Very small enterprises	1,939,612	80,455,195	1,508,666	83,903,473
Small enterprises	3,846,326	472,059	4,681,997	9,000,382
Medium sized enterprises	3,928,852	51,463	15,970,582	19,950,897
Large enterprises	23,850,719	51,792	20,471,267	44,373,778
Total gross written premiums	166,407,028	81,243,026	43,061,849	290,711,903
REVENUES				
Gross written premiums	166,407,028	81,243,026	43,061,849	290,711,903
Reinsurance premiums ceded				
- Local	-	-	(4,438,472)	(4,438,472)
- Foreign – Direct	-	-	(7,209,957)	(7,209,957)
- Foreign – Through local reinsurance broker	-	-	(18,306,971)	(18,306,971)
Excess of loss premiums				
- Local	(61,262)	(444,077)	(448,328)	(953,667)
- Foreign – Through local reinsurance broker	271,751	(3, 996,608)	(2,366,042)	(6,090,899)
Net premiums written	166,617,517	76,802,341	10,292,079	253,711,937
Change in unearned premiums, net	(57,862,432)	(34,000,377)	(106,348)	(91,969,157)
Net premiums earned	108,755,085	42,801,964	10,185,731	161,742,780
Reinsurance commissions earned	-	-	7,511,425	7,511,425
Policy fees	32,440	-	216,436	248,876
Other underwriting income	65,923	99,075	2,304,942	2,469,940
TOTAL REVENUES	108,853,448	42,901,039	20,218,534	171,973,021
UNDERWRITING COSTS				
Gross claims paid	(90,624,443)	(31,645,537)	(4,257,064)	(126,527,044)
Reinsurers' share of claims paid	3,252,810	1,881,232	2,154,998	7,289,040
Net claims paid	(87,371,633)	(29,764,305)	(2,102,066)	(119,238,004)
Changes in outstanding claims, net	19,221,272	(5,727,776)	1,026,629	14,520,125
Changes in claims incurred but not reported, net	10,594,876	(766,628)	533,214	10,361,462
Net claims incurred	(57,555,485)	(36,258,709)	(542,223)	(94,356,417)
Changes in premium deficiency reserve	(4,620,905)	1,655,980	405,471	(2,559,454)
Changes in other technical reserves	165,987	(219,247)	385,103	331,843
Policy acquisition costs	(4,069,036)	(4,052,711)	(2,944,050)	(11,065,797)
Inspection and supervision fees	(831,729)	(1,216,425)	(190,875)	(2,239,029)
Third party administrator fees	-	(2,117,723)	-	(2,117,723)
Other underwriting expenses	(10,171,011)	(3,071,801)	-	(13,242,812)
TOTAL UNDERWRITING COSTS	(77,082,179)	(45,280,636)	(2,886,574)	(125,249,389)
NET UNDERWRITING SURPLUS /(DEFICIT)	31,771,269	(2,379,597)	17,331,960	46,723,632
Unallocated other operating expenses				(65,929,604)
Unallocated investment and other income				17,184,633
DEFICIT FROM INSURANCE OPERATIONS				(2,021,339)

30. INSURANCE OPERATING SEGMENTS (CONTINUED)

As at December 31, 2022	**Motor**	**Medical**	**Property & Casualty**	**Total Insurance Operations**
ASSETS				
Reinsurers' share of unearned premiums	**-**	**-**	**12935386**	**12,935,386**
Reinsurers' share of outstanding claims	**762,575**	**2,608,260**	**12,728,578**	**16,099,413**
Reinsurers' share of claims incurred but not reported	**463,516**	**311,308**	**1,284,741**	**2,059,565**
Deferred policy acquisition costs	**4,884,202**	**1,786,938**	**1,209,862**	**7,881,002**
Total Segment assets	**6,110,293**	**4,706,506**	**28,158,567**	**38,975,366**
Unallocated assets				**441,496,064**
Total insurance operations assets				**480,471,430**
LIABILITIES				
Unearned premiums	**93,044,038**	**23,798,749**	**17,602,043**	**134,444,830**
Unearned reinsurance commission	**-**	**-**	**2,024,836**	**2,024,836**
Outstanding claims	**39,188,403**	**15,307,253**	**22,460,621**	**76,956,277**
Claims incurred but not reported	**34,103,587**	**5,316,598**	**1,943,884**	**41,364,069**
Premium deficiency reserve	**17,502,915**	**-**	**-**	**17,502,915**
Other technical reserves	**2,684,889**	**1,158,647**	**793,975**	**4,637,511**
Total Segment liabilities	**186,523,832**	**45,581,247**	**44,825,359**	**276,930,438**
Unallocated liabilities				**203,540,992**
Total insurance operations liabilities				**480,471,430**

As at December 31, 2021	Motor	Medical	Property & Casualty	Total Insurance Operations
ASSETS				
Reinsurers' share of unearned premiums	-	-	12,536,185	12,536,185
Reinsurers' share of outstanding claims	4,447,478	1,253,075	4,661,599	10,362,152
Reinsurers' share of claims incurred but not reported	1,338,401	344,948	2,904,040	4,587,389
Deferred policy acquisition costs	2,941,576	4,608,776	1,090,338	8,640,690
Total Segment assets	8,727,455	6,206,799	21,192,162	36,126,416
Unallocated assets				410,236,361
Total insurance operations assets				446,362,777
LIABILITIES				
Unearned premiums	110,745,182	52,532,129	17,954,772	181,232,083
Unearned reinsurance commission	-	-	1,758,780	1,758,780
Outstanding claims	55,741,799	15,241,691	12,734,027	83,717,517
Claims incurred but not reported	18,761,410	4,195,747	4,438,617	27,395,774
Premium deficiency reserve	18,238,429	8,074,361	-	26,312,790
Other technical reserves	4,061,167	489,248	920,013	5,470,428
Total Segment liabilities	207,547,987	80,533,176	37,806,209	325,887,372
Unallocated liabilities				120,475,405
Total insurance operations liabilities				446,362,777

31. SUPPLEMENTARY INFORMATION

Statement of Financial Position	As at 31 December 2022		
	Insurance operations	**Shareholders' operations**	**Total**
ASSETS			
Cash and cash equivalents	**199,115,005**	**55,795,047**	**254,910,052**
Time deposits	**90,000,000**	**95,000,000**	**185,000,000**
Premiums and reinsurers' receivable, net	**85,177,647**	**-**	**85,177,647**
Reinsurers' share of unearned premiums	**12,935,386**	**-**	**12,935,386**
Reinsurers' share of outstanding claims	**16,099,413**	**-**	**16,099,413**
Reinsurers' share of claims incurred but not reported	**2,059,565**	**-**	**2,059,565**
Deferred policy acquisition costs	**7,881,002**	**-**	**7,881,002**
Investments	**24,998,366**	**123,703,913**	**148,702,279**
Due from insurance operations	**-**	**114,391,640**	**114,391,640**
Prepaid expenses and other assets	**37,331,080**	**5,127,510**	**42,458,590**
Right-of-use assets	**1,334,056**	**-**	**1,334,056**
Property, equipment and intangible assets, net	**3,539,910**	**-**	**3,539,910**
Investment in associate	**-**	**1,134,571**	**1,134,571**
Statutory deposit	**-**	**30,000,000**	**30,000,000**
Statutory deposit investment returns	**-**	**2,582,066**	**2,582,066**
TOTAL ASSETS	**480,471,430**	**427,734,747**	**908,206,177**
LIABILITIES			
Policyholders and accounts payables	**45,357,217**	**-**	**45,357,217**
Reinsurers' balances payable	**14,995,195**	**-**	**14,995,195**
Accrued expenses and other liabilities	**20,257,398**	**2,300,427**	**22,557,825**
Lease liabilities	**1,092,627**	**-**	**1,092,627**
Unearned premiums	**134,444,830**	**-**	**134,444,830**
Unearned reinsurance commission	**2,024,836**	**-**	**2,024,836**
Outstanding claims	**76,956,277**	**-**	**76,956,277**
Claims incurred but not reported	**41,364,069**	**-**	**41,364,069**
Premium deficiency reserve	**17,502,915**	**-**	**17,502,915**
Other technical reserves	**4,637,511**	**-**	**4,637,511**
Due to shareholders' operations	**114,391,640**	**-**	**114,391,640**
End-of-service benefits	**8,227,890**	**-**	**8,227,890**
Zakat payable	**-**	**28,072,830**	**28,072,830**
Statutory deposit investment returns	**-**	**2,582,066**	**2,582,066**
TOTAL LIABILITIES	**481,252,405**	**32,955,323**	**514,207,728**
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus	**-**	**-**	**-**
Fair value reserve on available for sale investments	**(3,752,134)**	**-**	**(3,752,134)**
Accumulated actuarial loss on end-of-service benefits	**2,971,159**	**-**	**2,971,159**
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS	**480,471,430**	**32,955,323**	**513,426,753**
SHAREHOLDERS' EQUITY			
Share capital	**-**	**300,000,000**	**300,000,000**
Statutory reserve	**-**	**51,584,068**	**51,584,068**
Retained earnings	**-**	**43,975,609**	**43,975,609**
Foreign currency translation adjustments		**(350,885)**	**(350,885)**
Fair value reserve on available for sale investments	**-**	**(429,368)**	**(429,368)**
TOTAL SHAREHOLDERS' EQUITY	**-**	**394,779,424**	**394,779,424**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**480,471,430**	**427,734,747**	**908,206,177**

31. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Financial Position	As at 31 December 2021		
	Insurance operations	Shareholders' operations	Total
ASSETS			
Cash and cash equivalents	171,654,855	66,232,040	237,886,895
Time deposits	125,118,352	208,624,271	333,742,623
Premiums and reinsurers' receivable, net	39,887,814	-	39,887,814
Reinsurers' share of unearned premiums	12,536,185	-	12,536,185
Reinsurers' share of outstanding claims	10,362,152	-	10,362,152
Reinsurers' share of claims incurred but not reported	4,587,389	-	4,587,389
Deferred policy acquisition costs	8,640,690	-	8,640,690
Investments	25,044,590	131,635,558	156,680,148
Due from insurance operations	-	36,576,338	36,576,338
Prepaid expenses and other assets	38,699,770	4,146,615	42,846,385
Right-of-use assets	5,701,429	-	5,701,429
Property, equipment and intangible assets, net	4,129,551	-	4,129,551
Investment in associate	-	597,960	597,960
Statutory deposit	-	30,000,000	30,000,000
Statutory deposit investment returns	-	2,353,079	2,353,079
TOTAL ASSETS	446,362,777	480,165,861	926,528,638
LIABILITIES			
Policyholders and accounts payables	39,815,353	-	39,815,353
Reinsurers' balances payable	10,408,950	-	10,408,950
Accrued expenses and other liabilities	20,920,062	2,550,351	23,470,413
Lease liabilities	5,196,480	-	5,196,480
Unearned premiums	181,232,083	-	181,232,083
Unearned reinsurance commission	1,758,780	-	1,758,780
Outstanding claims	83,717,517	-	83,717,517
Claims incurred but not reported	27,395,774	-	27,395,774
Premium deficiency reserve	26,312,790	-	26,312,790
Other technical reserves	5,470,428	-	5,470,428
Due to shareholders' operations	36,576,338	-	36,576,338
End-of-service benefits	12,311,821	-	12,311,821
Zakat payable	-	32,841,217	32,841,217
Statutory deposit investment returns	-	2,353,079	2,353,079
TOTAL LIABILITIES	451,116,376	37,744,647	488,861,023
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus	-	-	-
Fair value reserve on available for sale investments	(3,705,910)	-	(3,705,910)
	21,649	-	21,649
Accumulated actuarial loss on end-of-service benefits	(1,069,338)	-	(1,069,338)
TOTAL LIABILITIES & INSURANCE OPERATIONS' SURPLUS	446,362,777	37,744,647	484,107,424
SHAREHOLDERS' EQUITY			
Share capital	-	300,000,000	300,000,000
Statutory reserve	-	51,584,068	51,584,068
Retained earnings	-	83,268,715	83,268,715
Foreign currency translation adjustments	-	159,784	159,784
Fair value reserve on available for sale investments	-	7,408,647	7,408,647
TOTAL SHAREHOLDERS' EQUITY	-	442,421,214	442,421,214
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	446,362,777	480,165,861	926,528,638

31. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Income	2022			2021		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross written premiums	**368,839,351**	**-**	**368,839,351**	290,711,903	-	290,711,903
Reinsurance premiums ceded	**(38,506,784)**	**-**	**(38,506,784)**	(29,955,400)	-	(29,955,400)
Excess of loss premiums	**(7,976,597)**	**-**	**(7,976,597)**	(7,044,566)	-	(7,044,566)
Net premiums written	**322,355,970**	**-**	**322,355,970**	253,711,937	-	253,711,937
Changes in unearned premiums, net	**47,186,454**	**-**	**47,186,454**	(91,969,157)	-	(91,969,157)
Net premiums earned	**369,542,424**	**-**	**369,542,424**	161,742,780	-	161,742,780
Reinsurance commissions	**6,256,912**	**-**	**6,256,912**	7,511,425	-	7,511,425
Policy fees	**276,634**	**-**	**276,634**	248,876	-	248,876
Other underwriting income	**22,139,130**	**-**	**22,139,130**	2,469,940	-	2,469,940
TOTAL REVENUES	**398,215,100**	**-**	**398,215,100**	171,973,021	-	171,973,021
UNDERWRITING COSTS						
Gross claims paid	**(342,938,008)**	**-**	**(342,938,008)**	(126,527,044)	-	(126,527,044)
Reinsurers' share of claims paid	**6,555,489**	**-**	**6,555,489**	7,289,040	-	7,289,040
Net claims paid	**(336,382,519)**	**-**	**(336,382,519)**	(119,238,004)	-	(119,238,004)
Changes in outstanding claims, net	**12,498,501**	**-**	**12,498,501**	14,520,125	-	14,520,125
Changes in claims incurred but not reported, net	**(16,496,119)**	**-**	**(16,496,119)**	10,361,462	-	10,361,462
Net claims incurred	**(340,380,137)**	**-**	**(340,380,137)**	(94,356,417)	-	(94,356,417)
Changes in premiums deficiency reserve	**8,809,875**	**-**	**8,809,875**	(2,559,454)	-	(2,559,454)
Changes in other technical reserves	**832,917**	**-**	**832,917**	331,843	-	331,843
Policy acquisition costs	**(21,735,942)**	**-**	**(21,735,942)**	(11,065,797)	-	(11,065,797)
Inspection and supervision fees	**(2,581,536)**	**-**	**(2,581,536)**	(2,239,029)	-	(2,239,029)
Third party administrator fees	**(4,659,775)**	**-**	**(4,659,775)**	(2,117,723)	-	(2,117,723)
Other underwriting expenses	**(30,351,079)**	**-**	**(30,351,079)**	(13,242,812)	-	(13,242,812)
TOTAL UNDERWRITING COSTS	**(390,065,677)**	**-**	**(390,065,677)**	(125,249,389)	-	(125,249,389)
NET UNDERWRITING SURPLUS	**8,149,423**	**-**	**8,149,423**	46,723,632	-	46,723,632
OTHER OPERATING (EXPENSES)/INCOME						
Doubtful debts provision	**(2,622,584)**	-	**(2,622,584)**	606,160	-	606,160
General and administrative expenses	**(63,714,180)**	**(2,588,917)**	**(66,303,097)**	(66,535,764)	(4,758,271)	(71,294,035)
Investment income	**10,248,294**	**16,374,054**	**26,622,348**	16,944,078	23,871,191	40,815,269
Impairment of available for sale investments	**-**	**(1,031,278)**	**(1,031,278)**	-	(1,218,783)	(1,218,783)
Share of profit /(loss) of associate	**-**	**536,611**	**536,611**	-	(102,658)	(102,658)
Other income	**2,005,745**	-	**2,005,745**	240,555	-	240,555
TOTAL OTHER OPERATING INCOME/ (EXPENSES)	**(54,082,725)**	**13,290,470**	**(40,792,255)**	(48,744,971)	17,791,479	(30,953,492)
Total (loss)/income before surplus attribution and zakat	**(45,933,302)**	**13,290,470**	**(32,642,832)**	(2,021,339)	17,791,479	15,770,140
Deficit attributable to shareholders	**45,933,302**	**(45,933,302)**	**-**	2,021,339	(2,021,339)	-
Net (loss)/ income before zakat	**-**	**(32,642,832)**	**(32,642,832)**	-	15,770,140	15,770,140
Zakat charge	**-**	**(6,650,274)**	**(6,650,274)**	-	(11,456,333)	(11,456,333)
Net (loss)/ income after zakat	**-**	**(39,293,106)**	**(39,293,106)**	-	4,313,807	4,313,807

31. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Comprehensive Income	**2022**			2021		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Net (loss)/income after zakat	**-**	**(39,293,106)**	**(39,293,106)**	-	4,313,807	4,313,807
Other comprehensive income/(loss)						
Items that will be reclassified to statements of income in subsequent years						
Available for sale investments:						
- Net amounts transferred to statement of income	**(700,823)**	**(1,363,646)**	**(2,064,469)**	(11,034,144)	(10,051,811)	(21,085,955)
-Foreign currency translation adjustments	**(21,649)**	**(510,669)**	**(532,318)**	21,649	(48,945)	(27,296)
- Net change in fair value	**654,599**	**(6,474,369)**	**(5,819,770)**	7,405,959	3,689,336	11,095,295
	(67,873)	**(8,348,684)**	**(8,416,557)**	(3,606,536)	(6,411,420)	(10,017,956)
Items that will not be reclassified to statements of income in subsequent years						
Actuarial gain on end-of-service benefits	**4,040,497**	**-**	**4,040,497**	1,648,694	-	1,648,694
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**3,972,624**	**(47,641,790)**	**(43,669,166)**	(1,957,842)	(2,097,613)	(4,055,455)

31. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Cash Flows	**2022**		
	Insurance Operations	**Shareholders' Operations**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat	-	(32,642,832)	(32,642,832)
Adjustments for non-cash items:			
Deficit attributable to the shareholders	(45,933,302)	45,933,302	-
Depreciation of property, equipment and intangible assets	1,546,077	-	1,546,077
Allowance of doubtful debts provision	2,622,584	-	2,622,584
Provision for end-of-service benefits	2,588,798	-	2,588,798
Realized gain from investments	(700,823)	(1,363,646)	(2,064,469)
Impairment of available for sale investments	-	1,031,278	1,031,278
Share of gain of associate	-	(536,611)	(536,611)
Loss on disposal of property and equipment	418,823	-	418,823
Right-of-use depreciation	1,230,319	-	1,230,319
Interest expense on lease liability	29,459	-	29,459
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable	(47,912,417)	-	(47,912,417)
Reinsurers' share of unearned premiums	(399,201)	-	(399,201)
Reinsurers' share of outstanding claims	(5,737,261)	-	(5,737,261)
Reinsurers' share of claims incurred but not reported	2,527,824	-	2,527,824
Deferred policy acquisition costs	759,688	-	759,688
Prepaid expenses and other assets	1,368,690	(980,895)	387,795
Policyholders and accounts payables	5,541,864	-	5,541,864
Reinsurers' balances payable	4,586,245	-	4,586,245
Accrued expenses and other liabilities	(662,664)	(249,924)	(912,588)
Unearned premiums	(46,787,253)	-	(46,787,253)
Unearned reinsurance commission	266,056	-	266,056
Outstanding claims	(6,761,240)	-	(6,761,240)
Claims incurred but not reported	13,968,295	-	13,968,295
Premium deficiency reserve	(8,809,875)	-	(8,809,875)
Other technical reserves	(832,917)	-	(832,917)
	(127,082,231)	11,190,672	(115,891,559)
End-of-service indemnities paid	(2,632,232)	-	(2,632,232)
Zakat paid	-	(11,418,661)	(11,418,661)
Net cash used in operating activities	(129,714,463)	(227,989)	(129,942,452)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions)/disposals in time deposits	35,118,352	113,624,271	148,742,623
Additions in investments	(34,021,648)	(39,390,770)	(73,412,418)
Proceeds from available for sale investments	34,700,822	39,306,099	74,006,921
Additions in property and equipment	(1,422,069)	-	(1,422,069)
Proceeds from disposal of fixed assets	46,810	-	46,810
Net cash generated from investing activities	34,422,267	113,539,600	147,961,867
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities	(996,258)	-	(996,258)
Due to shareholders' operations	123,748,604	(123,748,604)	-
Net cash (used)/generated in financing activities	122,752,346	(123,748,604)	(996,258)
Net change in cash and cash equivalents	27,460,150	(10,436,993)	17,023,157
Cash and cash equivalents, beginning of the year	171,654,855	66,232,040	237,886,895
Cash and cash equivalents, end of the year	199,115,005	55,795,047	254,910,052
Non-cash transactions:			
Change in fair value of available for sale investments	(46,224)	(7,838,015)	(7,884,239)
Foreign currency translation adjustments	(21,649)	(510,669)	(532,318)

31. SUPPLEMENTARY INFORMATION (CONTINUED)

Statement of Cash Flows

	2021		
	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat	-	15,770,140	15,770,140
Adjustments for non-cash items:			
Surplus attributable to the shareholders	(2,021,339)	2,021,339	-
Depreciation of property and equipment	1,459,936	-	1,459,936
Reversal of doubtful debts provision	(606,160)	-	(606,160)
Provision for end-of-service indemnities	2,605,344	-	2,605,344
Realized gain from investments	(11,034,144)	(10,051,811)	(21,085,955)
Impairment of available for sale investments	-	1,218,783	1,218,783
Share of loss of associate	-	102,658	102,658
Loss on disposal of property and equipment	(121,968)	-	(121,968)
Right-of-use depreciation	1,608,617	-	1,608,617
Interest expense on lease liability	115,453	-	115,453
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable	(3,014,357)	-	(3,014,357)
Reinsurers' share of unearned premiums	2,713,947	-	2,713,947
Reinsurers' share of outstanding claims	24,506,721	-	24,506,721
Reinsurers' share of claims incurred but not reported	1,207,201	-	1,207,201
Deferred policy acquisition costs	(4,906,839)	-	(4,906,839)
Prepaid expenses and other assets	(15,903,898)	(1,926,651)	(17,830,549)
Right-of-use assets	(2,740,619)	-	(2,740,619)
Policyholders and accounts payables	12,935,669	-	12,935,669
Reinsurers' balances payable	(2,148,467)	-	(2,148,467)
Accrued expenses and other liabilities	8,882,120	(116,101)	8,766,019
Unearned premiums	89,255,210	-	89,255,210
Unearned reinsurance commission	151,835	-	151,835
Outstanding claims	(39,026,846)	-	(39,026,846)
Claims incurred but not reported	(11,568,663)	-	(11,568,663)
Premium deficiency reserve	2,559,454	-	2,559,454
Other technical reserves	(331,843)	-	(331,843)
	54,576,364	7,018,357	61,594,721
End-of-service indemnities paid	(4,657,186)	-	(4,657,186)
Insurance surplus paid	(1,714,863)	-	(1,714,863)
Zakat paid	-	(8,762,953)	(8,762,953)
Net cash used in operating activities	48,204,315	(1,744,596)	46,459,719
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions)/disposals in time deposits	149,183,776	(194,118,341)	(44,934,565)
Additions in investments	(62,793,195)	(7,511,929)	(70,305,124)
Proceeds from available for sale investments	97,909,152	78,006,493	175,915,645
Proceeds from disposal of fixed assets	(2,000,125)	-	(2,000,125)
Additions in property and equipment	249,957	-	249,957
Net cash generated/(used in) from investing activities	182,549,565	(123,623,777)	58,925,788
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities	609,455	-	609,455
Due to shareholders' operations	(146,450,897)	146,450,897	-
Net cash used in financing activities	(145,841,442)	146,450,897	609,455
Net change in cash and cash equivalents	84,912,438	21,082,524	105,994,962
Cash and cash equivalents, beginning of the year	86,742,417	45,149,516	131,891,933
Cash and cash equivalents, end of the year	171,654,855	66,232,040	237,886,895
Non-cash transactions:			
Change in fair value of available for sale investments	(3,628,185)	(6,362,475)	(9,990,660)
Foreign currency translation adjustments	21,649	(48,945)	(27,296)

32. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current period presentations.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 07 March, 2023 (corresponding to 15 Sha'ban 1444H).