GULF INSURANCE GROUP
(A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)

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

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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Independent Auditors' Report
To the Shareholders of Gulf Insurance Group (A Saudi Joint Stock Company)
(Formerly: AXA Cooperative Insurance Company)

Opinion

We have audited the financial statements of Gulf Insurance Group – a Saudi Joint Stock Company ("the Company") (Formerly: AXA Cooperative Insurance 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (referred to as "IFRS as endorsed by 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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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. For each matter below, a description of how our audit addressed the matter is provided in that context:

Independent Auditors' Report
To the Shareholders of Gulf Insurance Group (A Saudi Joint Stock Company)
(Formerly: AXA Cooperative Insurance Company) (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of ultimate claims liabilities arising from insurance contracts</td></tr>
<tr><td>As at 31 December 2022, outstanding claims and claims incurred but not reported ("IBNR") and other reserves amounted to SR 476,563 thousand and SR 477,164 thousand respectively.

The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Further, individual outstanding claims are estimated by internal and/or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim.

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

We considered this as a key audit matter as the valuation of insurance contract liabilities involve significant judgement and estimation uncertainty, as well as the materiality of the amounts involved</td><td>Our audit procedures included, among others, the following:

• Tested the design, implementation, and operating effectiveness of key controls around claims handling and settlement processes;

• Tested, on sample basis, the amounts recorded for claims notified and paid and outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claim reserves;

• Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence;

• Tested the completeness and accuracy of the data used as inputs into the actuarial valuations, and tested, on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR and other reserves by comparing it to the accounting and other records;

• Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and appropriateness of the actuarial report issued by management's expert. We also performed the following procedures:

1) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and prior years approach. We sought sufficient justification for any significant differences;

2) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims; We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge;</td></tr>
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Independent Auditors' Report
To the Shareholders of Gulf Insurance Group (A Saudi Joint Stock Company)
(Formerly: AXA Cooperative Insurance Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Refer to Note 3 to the financial statements for the accounting policy relating to insurance contract liabilities, Note 4 for the disclosure of significant accounting estimates and judgements. Also, refer note 16 for movement in outstanding claims, IBNR and other reserves.	3) Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed; and • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Matter
The financial statements of the Company for the year ended 31 December 2021 were audited by another auditors who expressed unmodified opinion on those financial statements on 13 Rajab 1443H (corresponding to 14 February 2022).

Other information included in the Company's 2022 Annual Report
The Board of Directors is responsible for the other information. Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditors' report thereon. The Company's annual report is expected to be made available to us after the date of this auditors' report.

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

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

Responsibilities of those charged with governance for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as endorsed by SOCPA, and the provisions of Companies' Law, and the Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those 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 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

EY Building a better working world

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Independent Auditors' Report
To the Shareholders of Gulf Insurance Group (A Saudi Joint Stock Company)
(Formerly: AXA Cooperative Insurance Company) (continued)

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

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

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

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

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

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

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

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

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.

for Ernst & Young Professional Services

Saad M. Al-Khathlan
Certified Public Accountant
License No. 509

for RSM Allied Accountants Professional Services

Mohammed Farhan Bin Nader
Certified Public Accountant
Licence No. 435

7 Ramadan 1444H
29 March 2023
Riyadh

CR 1010383821
Ernst & Young Professional Services (Professional LLC)

C.R. 4030228773
RSM Allied Accountants Professional Services Co.

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021
Assets			
Cash and cash equivalents	5	**334,592**	89,521
Short-term deposits	6	**439,321**	644,821
Premiums and reinsurers' balances receivable	7	**296,321**	299,811
Reinsurers' share of unearned premiums	16, 19	**31,224**	26,333
Reinsurers' share of outstanding claims	11, 16, 19	**115,442**	120,273
Reinsurers' share of claims incurred but not reported and other reserves	16, 19	**27,992**	54,747
Deferred policy acquisition costs	16, 19	**60,620**	49,307
Investments	8	**1,274,668**	1,302,155
Prepaid expenses and other assets	9	**34,676**	29,855
Deferred tax assets	21.3	**3,766**	-
Long-term deposits	6	**120,000**	215,721
Right-of-use asset	10	**17,838**	20,479
Furniture and equipment	12	**15,219**	19,518
Intangible assets	12	**32,014**	12,247
Goodwill	30	**50,000**	50,000
Statutory deposit	24	**50,000**	50,000
Accrued income on statutory deposit		**7,357**	6,281
Total assets		**2,911,050**	2,991,069
Liabilities and equity			
Liabilities			
Claims payable, accrued expenses and other liabilities	13	**167,356**	201,467
Surplus distribution payable	14	**29,219**	33,976
Reinsurers' balances payable		**74,649**	68,929
Advance premiums		**37,445**	30,055
Unearned premiums	16, 19	**599,955**	517,829
Unearned reinsurance commission	16, 19	**4,605**	3,458
Outstanding claims	16, 19	**476,563**	366,614
Claims incurred but not reported and other reserves	16, 19	**477,164**	654,242
Lease liability	10	**16,940**	19,407
Due to a related party	20	**435**	2,353
Employee benefit obligations	15	**24,952**	31,633
Zakat and income tax	21	**63,133**	58,806
Accrued income payable to SAMA		**7,357**	6,281
Total liabilities		**1,979,773**	1,995,050

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GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	**As at 31 December 2022**	As at 31 December 2021
Liabilities and equity (continued)			
Equity			
Share capital	27	**500,000**	500,000
Statutory reserve	25	**119,862**	104,702
Performance share reserve	26	**-**	2,514
Retained earnings		**374,019**	360,863
Re-measurement reserve of employee benefit obligations	15	**4,470**	-
Fair value reserve on investments	8	**(67,074)**	27,940
Total equity		**931,277**	996,019
Total liabilities and equity		**2,911,050**	2,991,069

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

Yousef S Abalkhail	Khalid Al Shuwaier	Babar Ali Khan
Chairman	Chief Executive Officer	Chief Financial Officer

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December 2022	31 December 2021
Revenues			
Gross premiums written			
- Direct		**1,538,687**	1,433,439
- Reinsurance		**28,564**	21,031
	16.b	**1,567,251**	1,454,470
Reinsurance premiums ceded			
- Foreign		**(128,742)**	(124,372)
- Local		**(12,808)**	(20,157)
	16.b	**(141,550)**	(144,529)
Net premiums written	16.b	**1,425,701**	1,309,941
Changes in unearned premiums		**(82,126)**	(31,120)
Changes in reinsurers' share of unearned premiums		**4,891**	2,878
Net premiums earned	16.b	**1,348,466**	1,281,699
Reinsurance commissions	16.c	**16,321**	16,452
Total revenues		**1,364,787**	1,298,151
Underwriting costs and expenses			
Gross claims paid		**1,127,217**	994,592
Reinsurers' share of claims paid		**(70,557)**	(48,205)
Net claims and other benefits paid	16.a	**1,056,660**	946,387
Changes in outstanding claims		**109,949**	77,910
Changes in reinsurers' share of outstanding claims		**4,832**	(45,285)
Changes in claims incurred but not reported and other reserves		**(177,078)**	(111,926)
Changes in reinsurers' share of claims incurred but not reported and other reserves		**26,755**	18,333
Net claims and other benefits incurred		**1,021,118**	885,419
Policy acquisition costs	16.c	**150,253**	129,191
Total underwriting costs and expenses		**1,171,371**	1,014,610
Net underwriting income		**193,416**	283,541
Other operating expenses			
General and administrative expenses	23	**(177,830)**	(168,910)
Other income – net	22	**83,948**	68,128
Total other operating expenses - net		**(93,882)**	(100,782)
Total income for the year before surplus attribution, zakat and income tax		**99,534**	182,759
Surplus attributed to the insurance operations	14	**(6,223)**	(16,030)
Total income for the year before zakat and income tax		**93,311**	166,729

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GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated))

	Note	For the year ended 31 December 2022	31 December 2021
Zakat expense	21	**(16,820)**	(17,131)
Income tax expense	21	**(689)**	(11,075)
Total income for the year attributable to the shareholders		**75,802**	138,523
Earnings per share			
(In Saudi Riyals per share)			
Basic earnings per share	32	**1.52**	2.77
Diluted earnings per share	32	**1.52**	2.77

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

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		For the year ended	
	Note	**31 December 2022**	31 December 2021
Total income for the year attributable to the shareholders		**75,802**	138,523
Other comprehensive income:			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement gain on employee benefit obligations	15.1	4,470	-
Items that will be reclassified to the statement of income in subsequent years			
Net change in fair values of available-for-sale investments	8	**(95,014)**	(13,980)
Total other comprehensive loss		**(90,544)**	(13,980)
Total comprehensive (loss)/income for the year		**(14,742)**	124,543

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

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Re-measurement reserve of employee benefit obligations	Fair value reserve on investments	Total
Balance as at 1 January 2022		500,000	104,702	2,514	360,863	-	27,940	996,019
Total comprehensive income for the year								
Total income for the year attributable to shareholders		-	-	-	75,802	-	-	75,802
Other comprehensive income/(loss)		-	-	-	-	4,470	(95,014)	(90,544)
Total comprehensive income/(loss) for the year		-	-	-	75,802	4,470	(95,014)	(14,742)
Transfer to statutory reserve	25	-	15,160	-	(15,160)	-	-	-
Performance share reserve settlement	26	-	-	(2,514)	2,514	-	-	-
Dividends	33	-	-	-	(50,000)	-	-	(50,000)
Balance as at 31 December 2022		500,000	119,862	-	374,019	4,470	(67,074)	931,277

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

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Re-measurement reserve of employee benefit obligations	Fair value reserve on investments	Total
Balance as at 1 January 2021		500,000	76,998	2,266	249,718	-	41,920	870,902
Total comprehensive income for the year								
Total income for the year attributable to shareholders		-	-	-	138,523	-	-	138,523
Other comprehensive loss		-	-	-	-	-	(13,980)	(13,980)
Total comprehensive income/(loss) for the year		-	-	-	138,523	-	(13,980)	124,543
Transfer to statutory reserve	25	-	27,704	-	(27,704)	-	-	-
Performance share reserve	26	-	-	1,379	-	-	-	1,379
Performance share reserve - settlement		-	-	(805)	-	-	-	(805)
Transfer from retained earnings		-	-	(326)	326	-	-	-
Balance as at 31 December 2021		500,000	104,702	2,514	360,863	-	27,940	996,019

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

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Total income for the year before surplus attribution, zakat and income tax		**99,534**	182,759
Adjustments for non-cash items:			
Depreciation of furniture and equipment	12	**6,294**	6,813
Depreciation of right-of-use asset	10	**2,641**	2,643
Amortization of intangible assets	12	**3,463**	5,522
Provision for doubtful debts	7	**4,493**	3,941
Interest on lease liability		**717**	808
Interest on employee benefit obligations	15	**987**	214
Accretion of discount on available-for-sale investments	8	**(1,798)**	(1,612)
Amortization of premium on available-for-sale investments	8	**1,716**	1,155
Amortization of premium on held-to-maturity investments	8	**17**	14
Impairment loss on available-for-sale investments	8	**2,649**	-
Performance share reserve		**-**	1,379
Provision for employee benefit obligations	15	**(1,205)**	3,219
Gain on sale of investments	8	**(12,879)**	(4,305)
Deferred tax turnaround impact	21.3	**(3,766)**	-
Changes in operating assets and liabilities:			
Premiums and reinsurers' balances receivable - net		**(1,003)**	(89,444)
Reinsurers' share of unearned premiums		**(4,891)**	(2,878)
Reinsurers' share of outstanding claims		**4,831**	(45,285)
Reinsurers' share of claims incurred but not reported and other reserves		**26,755**	18,332
Deferred policy acquisition costs		**(11,313)**	(12,815)
Prepaid expenses and other assets		**(4,821)**	(10,266)
Accrued income on statutory deposit		**(1,076)**	(379)
Claims payable, accrued expenses and other liabilities		**(34,111)**	68,337
Reinsurers' balances payable		**5,720**	27,862
Advance premiums		**7,390**	(6,436)
Unearned premiums		**82,126**	31,120
Unearned reinsurance commission		**1,147**	96
Outstanding claims		**109,949**	77,910
Claims incurred but not reported and other reserves		**(177,078)**	(111,926)
Due to a related party		**(1,918)**	(1,032)
Accrued income payable to SAMA		**1,076**	379
		105,646	146,125
Employee benefit obligations paid	15	**(1,993)**	(3,288)
Surplus distribution paid	14	**(10,980)**	(9,027)
Zakat and income tax paid	21	**(13,182)**	(19,556)
Interest paid		**-**	(808)
Net cash generated from operating activities		**79,491**	113,446

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GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
STATEMENT OF CASH FLOWS (continued)
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2022	31 December 2021
Cash flows from investing activities			
Maturity/ (placements) of short-term deposits		**205,500**	(949,579)
Proceeds from disposals of short-term deposits		**-**	858,175
Purchases of investments	8	**(240,700)**	(426,745)
Proceeds from disposals of investments	8	**183,468**	179,940
Proceeds from disposals of long-term deposits		**95,721**	-
Purchases of furniture and equipment	12	**(1,995)**	(4,623)
Purchases of intangible assets	12	**(23,230)**	(8,950)
Net cash from/(used in) investing activities		**218,764**	(351,782)
Cash flows from financing activities			
Principal elements of lease payments		**(3,184)**	(2,374)
Performance share reserve - settlement		**-**	(805)
Dividend settlements	33	**(50,000)**	-
Net cash used in financing activities		**(53,184)**	(3,179)
Net change in cash and cash equivalents		**245,071**	(241,515)
Cash and cash equivalents at the beginning of the year		**89,521**	331,036
Cash and cash equivalents at the end of the year	5	**334,592**	89,521
Supplemental non-cash information:			
Changes in fair value of available-for-sale investments	8	**(95,014)**	(13,980)
Premiums and reinsurers' balances receivable written-off	7	**-**	6,240

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

Yousef S Abalkhail	Khalid Al Shuwaier	Babar Ali Khan
Chairman	Chief Executive Officer	Chief Financial Officer

1 General information

Gulf Insurance Group (a Saudi joint stock company registered in Kingdom of Saudi Arabia) (formerly: AXA Cooperative Insurance Company), (the “Company”), was formed pursuant to Royal Decree No. M/36 dated 27 Jumada II 1429H. (corresponding to 1 July 2008) (Date of inception). The Company was incorporated vide Ministerial Order number Q/192, dated 10 Jumada II 1430H, (corresponding to 3 September 2009) (date of incorporation). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010271203 issued in Riyadh on 20 Rajab 1430H (corresponding to 13 July 2009). The Company’s registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance activities. Its principal lines of business include health, motor, marine, property, engineering, accident and liability and protection insurance. The principal activities of the Company are to engage in cooperative insurance operations and related activities including reinsurance activities in accordance with the Law on Supervision of Cooperative Insurance (the “Law”), the Company’s by-laws and Companies’ law in the Kingdom of Saudi Arabia. The Company obtained license from the Saudi Central Bank (“SAMA”) to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide license number TMN/25/20101, dated 11 Safar 1431H (corresponding to 26 January 2010). The Company has commenced insurance operations on 4 Rabi’ I 1431H (corresponding to 18 February 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. During 2016, the Company obtained approval for the remaining products.

AXA Cooperative Insurance Company ("AXA CIC") was notified on 14 Rabi’ II 1442H (corresponding to 11 November 2020) by AXA Mediterranean Holding S.A. ("AXA Med") that the AXA Group (AXA S.A. ultimate parent Company of AXA Med) has decided to sell its operations in the Gulf region. Accordingly, AXA Med entered into a share purchase agreement with Gulf Insurance Group K.S.C.P ("GIG") (a joint stock company registered on Boursa Kuwait) dated 14 Rabi’ II 1442H (corresponding to 29 November 2020) to sell its insurance operations in the Gulf region, which includes the sale of its 18%, prior to completion of the transaction, shareholding in AXA CIC at a price of SAR 24.23 per share (being USD 6.46 per share converted into SAR at a rate of 3.75 SAR per USD). As part of the overall transaction in the Gulf region, GIG has acquired 100% of the share capital of AXA Insurance (Gulf) B.S.C in Bahrain (which was a 50:50 joint venture between the AXA Group and Yusuf Bin Ahmed Kanoo Company W.L.L), which owned 32% of the share capital of AXA CIC, prior to completion of this transaction, at an equivalent value of SAR 24.23 per share. After completion of transaction, AXA Insurance (Gulf) B.S.C. (c) in Bahrain has now become Gulf Insurance Group (Gulf) B.S.C (c) and owns 50% of the shareholding in Gulf Insurance Group, a Saudi joint stock company (previously AXA CIC).

Following completion of acquisition which was announced on 30 Dhul Qi’da 1443H (corresponding to 7 September 2021), the Company initiated legal formalities to change its legal name from ‘AXA Cooperative Insurance Company’ to ‘Gulf Insurance Group’ which were completed during the year.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1 General information (continued)

The accompanying financial statements include the accounts of the Company and its following branches:

CR	Registration date	Location
4030209279	16 Rabi Al Awwal 1432H (18 February 2011)	Jeddah
2051044972	16 Rabi Al Awwal 1432H (18 February 2011)	Al-Khobar
1010383602	8 Ramadan 1435H (5 June 2014)	Riyadh
1010383603	8 Ramadan 1434H (16 July 2013)	Riyadh
1010383604	8 Ramadan 1434H (16 July 2013)	Riyadh
1010431704	3 Jumada II 1436H (23 March 2015)	Riyadh
2051050069	24 Shawwal 1433H (11 September 2012)	Al-Khobar
2051059616	17 Safar 1436H (9 December 2014)	Al-Khobar
2051059617	17 Safar 1436H (9 December 2014)	Al-Khobar
2050104123	17 Safar 1436H (9 December 2014)	Dammam
2050105348	18 Jumada II 1436H (7 April 2015)	Dammam
2050091126	20 Jumada 'II 1434H (30 April 2013)	Dammam
2055024388	29 Dhul-Qa'dah 1436H (13 September 2015)	Al-Jubail
4030233610	24 Shawwal 1433H (11 September 2012)	Jeddah
4030233628	24 Shawwal 1433H (11 September 2012)	Jeddah
4030287622	30 Rabi Al Thani 1437H (9 February 2016)	Jeddah

2 Basis of preparation

2.1 Basis of presentation and measurement

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

As required by the Law, the Company maintains separate accounts for insurance operations and shareholder' operations and presents the financial statements accordingly. The physical custody and title of all the assets related to the insurance operations and shareholders' operations are held by the Company. Revenue and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and Board of Directors of the Company.

In accordance with the requirements of Implementing Regulations of the Cooperative Insurance Companies Control Law (the "Regulations") issued by SAMA and as per the by-laws of the Company, surplus arising from the insurance operations is distributed as follows:

Transfer to shareholder' operations	90%
Transfer to insurance operations	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

2.1 Basis of presentation and measurement (continued)

The statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 31 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the regulations. The regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, income, comprehensive income and cash flows prepared for the insurance operations and shareholders' operations, as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS, that are endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized 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.

2.2 Functional and presentation currency

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

2.3 Fiscal year

The Company follows a fiscal year ending 31 December.

2.4 Critical accounting judgments, estimates and assumptions

The critical accounting judgments, estimates and assumptions are covered in note 4.

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the entity as explained below:

3.1 New IFRS Standards, IFRIC interpretations and amendments thereof, adopted

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
Amendments to IFRS 3	Reference to the Conceptual Framework

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

Standard/ Interpretation	**Description**	**Effective from periods beginning on or after the following date**
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The 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 discretionary participation features (“DPF”).

Significant Judgements and Accounting Policy Choices

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

Contracts within/outside the scope of IFRS 17:

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

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Significant Judgements and Accounting Policy Choices (continued)

Contracts within/outside the scope of IFRS 17 (continued)

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

Combination/Unbundling of Contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components - i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

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

Level of Aggregation

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

(i) any contracts that are onerous on initial recognition;
(ii) any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
(iii) any remaining contracts in the portfolio.

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

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

Each group of reinsurance contracts comprises a single contract.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Significant Judgements and Accounting Policy Choices (continued)

Measurement – Overview

The coverage period of all the portfolios (primary and reinsurance) are assumed to be one year or less hence automatically qualifies for Premium Allocation Approach (PAA) except for Commercial Engineering-Construction, Commercial Liability and Personal Health for which PAA eligibility testing was performed. Based on the results no material difference observed in the measurement of liability for remaining coverage between PAA and General Model, therefore, these qualify for PAA.

Reinsurance contracts: the coverage period of the reinsurance contracts is one year or less hence all such contracts qualify for PAA.

Discounting methodology
The company used current rates to discount LIC while computing transition impact.

Risk Adjustment (RA) methodology, including correlations, and Confidence level selected

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment, consistent with the way that non-financial risk is managed and are allocated to groups of contracts using methods that are systematic and rational. They are determined separately from estimates of the present value of future cash flows using the confidence level technique.

Applying Mac method, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 90th percentile (the target confidence level) over the expected present value of the future cash flows.

Onerosity determination

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless “facts and circumstances” indicate otherwise. The Company has performed the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment is re-assessed if ‘facts and circumstances’ indicate that there are significant changes in the facts and circumstances as compared to initial assessment.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Significant Judgements and Accounting Policy Choices (continued)

Onerosity determination (continued)

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

The Company recognises LIC of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates). The cashflows used for LRC and LIC computations are excluding VAT.

Length of Cohorts

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

Which enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and would result in increased measurement requirements. The Company has decided the length of cohort to be on an annual basis.

Use of OCI for Insurance Finance Income and Expense (IFIE)

In reference to the presentation in statement of income – IFIE, the Company has decided that the entire insurance finance income or expense (if any) for the period will be presented in the statement of income

Unwinding of Discount on Risk Adjustment

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

Expense Attribution

Expenses are attributed to each portfolio and cohorts using pre-defined parameters based on the nature of expenses.

Presentation and Disclosure

Presentation

IFRS 17 introduces a new way of presenting income and expenses relating to insurance contracts that moves away from a premium-based presentation approach for the Statement of Comprehensive Income. It also introduces changes in the way insurance contract-related account balances are presented in the Statement of Financial Position.

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognized in the financial statements that arise from insurance contracts in the form of various roll-forward tables and reconciliation tables. Quantitative and qualitative information are also required to be disclosed relating to the significant judgements made when applying IFRS 17 and on the nature and extent of the risks that arise from insurance contracts.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Significant Judgements and Accounting Policy Choices (continued)

Presentation and Disclosure (continued)

Presentation (continued)

The Company's policy guidelines, related to financial statements and disclosures preparation process are as follows:

Statements of Income and other Comprehensive Income

The Company is required to disaggregate the amounts recognized in the Statement of Comprehensive Income into insurance revenue, insurance service expenses and insurance finance income or expense. A mandatory subtotal called insurance service result includes insurance revenue and insurance service expenses to also include results from reinsurance contracts for which there is an option in the standard to present reinsurance cessions and recoveries separately or present them net as a single line item. The Company has opted to present reinsurance net results as one line item in the statement of income.

Furthermore, the insurance finance income and expenses related to insurance contracts issued and reinsurance contracts held shall be presented separately.

- *Insurance Revenue*
  For PAA, the insurance revenue for the period is the amount of expected premium receipts allocated to the period, excluding any investment component. The allocation of insurance revenue for the period under PAA will be performed based on the passage of time.

- *Insurance Service Expenses*
  The Company's insurance service expenses will comprise the following items:
  (a) Incurred claims and other incurred insurance service expenses;
  (b) Amortization of insurance acquisition cash flows;
  (c) Changes that relate to past service i.e., changes in fulfilment cash flows relating to the LIC; and
  (d) Changes that relate to future service, i.e., losses on onerous groups of contracts and reversals of such losses.

  Changes that relate to past service refers to changes in fulfilment cash flows relating to the LIC. Any development to the incurred claims, including changes in expected cash flows as well as RA, will be reported in the insurance service expenses.

- *Insurance Finance Income and Expenses (IFIE)*
  In applying the PAA, an entity shall measure the LIC for the group of insurance contracts at the fulfilment cash flows relating to incurred claims.

  For the presentation purposes, the Company has opted to include all insurance finance income or expenses for the period in the profit or loss.

  Furthermore, the Company is required to present the IFIE related to insurance contracts issued and reinsurance contracts held on the face of Statement of Income

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Presentation and Disclosure (continued)

Presentation (continued)

Statement of Financial Position

The Company will present the following line items separately in the statement of financial position as required by IFRS 17:

- *Insurance contracts that are assets;*
- *Insurance contracts that are liabilities;*
- *Reinsurance contracts held that are assets; and*
- *Reinsurance contracts held that are liabilities separately*

The carrying amount of an insurance contract asset/liability is the sum of the LRC and the LIC, comprising the fulfilment cash flows related to past service allocated to the portfolio of contracts at that date. Portfolios of reinsurance contracts held that are either assets or liabilities, comprise LRC and LIC that correspond to the ceded business.

Disclosures

IFRS 17 required extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance contracts, reinsurance contracts and investment contracts with DPF, disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements. As all of the Company's portfolios are eligible under PAA, most of the disclosures are not applicable. Below are key new disclosures required under IFRS 17:

(i) Reconciliation for changes in LRC, LIC, and Loss Components. The Company shall disclose reconciliations from the opening to the closing balances separately for each of:

- The net liabilities (or assets) for the remaining coverage component, excluding any loss component.
- Any loss component
- The liabilities for incurred claims. For insurance contracts to which the PAA has been applied, an entity shall disclose separate reconciliations for:
  -The estimates of the present value of the future cash flows; and
  -The risk adjustment for non-financial risk

(ii) Analysis of Insurance Revenue

The Company shall be presenting a disclosure for the reconciliation of insurance service revenues for the contracts measured under PAA and not measured under PAA if any.

Considering, all of the Company's portfolios fall under PAA, the disclosure would only include contracts under PAA element.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Disclosures (continued)

(iii) Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held

For insurance contracts other than those to which the premium allocation approach has been applied, an entity shall disclose the effect on the statement of financial position separately for insurance contracts issued and reinsurance contracts held that are initially recognized in the period, showing their effect at initial recognition on:

- The estimates of the present value of future cash outflows, showing separately the amount of the insurance acquisition cash flows;
- The estimates of the present value of future cash inflows;
- The risk adjustment for non-financial risk; and
- The contractual service margins

Considering, all of company's contracts fall under PAA, the disclosure would not be needed as this disclosure requirement is not applicable to insurance contracts measured under the PAA.

Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact of these changes before surplus attribution, zakat and tax and is an increase in the Company's total equity of SR 18,594 thousand at 1 January 2022. The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial statements for the period ending 31 March 2023.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January 2022 SAR "000"
Reserves over best estimate – Primary insurance contracts	(361,903)
Reserves over best estimate – Reinsurance contracts	69,695
Additional technical reserves	(69,787)
Premium deficiency reserve	(12,280)
Loss component impact	108,527
Risk adjustment – Primary insurance contracts	458,508
Risk adjustment – Reinsurance contracts	(181,740)
Unearned acquisition expenses (non-commission)	(19,411)
Discounting impact	(11,491)
Others	1,288
Total transition impact	***Increase by 18,594***

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

Transition Impact (continued)

Impact on liabilities and assets

	Impact on transition to IFRS 17 on 1 January 2022 SAR "000"
Liabilities	
Reserves over best estimate – Primary insurance contracts	(361,903)
Additional technical reserves	(69,787)
Premium deficiency reserve	(12,280)
Loss component	108,527
Risk adjustment – Primary insurance contracts	458,508
Unearned acquisition expenses (non-commission)	(19,411)
Discount impact	(11,491)
Other impacts	1,288
Total Impact on Liabilities	**Increase by 93,451**
Assets	
Reserves over best estimate – Reinsurance contracts	(69,695)
Risk adjustment - Reinsurance contracts	181,740
Total Impact on Assets	**Increase by 112,045**

The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimate. The Company continues to refine models, methodologies and controls as well as monitoring developments in regulatory rulemaking in ahead of the IFRS 17 adoption on 1 January 2023.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

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.

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 the investment committee. The preparation for IFRS 9 has required significant 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.

Significant Judgements and Accounting Policy Choices

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

- Financial assets - Classification
- Financial assets - Impairment
- Financial liabilities
- Transition

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).

<u>Financial assets at amortized cost</u>
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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").

<u>Financial assets at FVOCI</u>
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income is recognized in the Statement of Income.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

IFRS 9 – Financial Instruments (continued)

Equity Instruments
On initial recognition, for an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis.

Financial assets at FVTPL
All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment
The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessments whether contractual cash flows are solely payments of principal and interest for the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Designation at fair value through profit or loss
At initial recognition, the Company may designate certain financial assets at FVTPL. The designated financial assets (if any) are required to be managed, evaluated, and reported internally on a fair value basis

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

IFRS 9 – Financial Instruments (continued)

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 FVTPL:
- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

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 the statement of financial position 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.

Staging of financial assets

Investments
The Company will categorize its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

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.

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

IFRS 9 – Financial Instruments (continued)

Financial assets – Impairment (continued)

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.

ECL methodology
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: 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.

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 market observable information or 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 Company will analyze the relationship between key economic trends with the estimate of PD.

Measurement of ECL
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.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position 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 statement of financial position 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.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.2 Standards issued but not yet effective: (continued)

IFRS 9 – Financial Instruments (continued)

Financial liabilities

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

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

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

Transition

The Company estimates that, on adoption of IFRS 9, the impact of these changes before surplus attribution, zakat and tax is a reduction in the Company's total equity of SR 66 thousand at 1 January 2022. The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial statements for the period ending 31 March 2023.

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 9 on 1 January 2022 SAR "000"**
Impairment of financial assets	Decrease by 66
Total Impact	Decrease by 66

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

<u>**Overall Impact on Equity due to Transition to IFRS17 and IFRS9**</u>

The Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes before surplus attribution, zakat and tax is an increase in the Company's total equity of SR 18,528 thousand at 1 January 2022.

Transition to	**Change in Equity at 1 January 2022 SAR "000"**
IFRS 17	Increase by 18,594
IFRS 9	Decrease by 66
Total Impact	Increase by 18,528

3 Summary of significant accounting policies (continued)

The significant accounting policies used in preparing these financial statements are set out below:

3.3 Segment 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 statements is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

As instructed by SAMA, the Company has segments classification of: Motor, Property and Casualty, Health and Protection.

Segment assets do not include cash and cash equivalents, short-term deposits, long-term deposits, statutory deposit, investments, premiums and reinsurers' balances receivable - net, prepaid expenses and other assets, due from shareholders' / insurance operations, right-of-use asset, furniture and equipment, goodwill, intangible assets and accrued income on statutory deposit.

Segment liabilities do not include claims payable, accrued expenses and other liabilities, surplus distribution payable, reinsurers' balances payable, advance premiums, lease liability, due to a related party, employee benefit obligations, zakat and income tax, due to shareholders' / insurance operations and accrued income payable to SAMA.

Operating segments do not include shareholders' operations.

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

- Motor
- Property and casualty
- Health; and
- Protection

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

Where intersegment transaction was to occur, transfer prices 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.

3.4 Functional and presentation currency

The Company's books of account are maintained in Saudi Riyals, which is also the functional and presentation currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the reporting date. All differences are taken to the statement of income. Foreign exchange differences are not significant and have not been disclosed separately.

3 Summary of significant accounting policies (continued)

3.5 Financial assets

3.5.1 Classification

The Company classifies its financial assets in the following categories:

Loans and receivables

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

Available-for-sale investments

Available-for-sale investments are those investments that are not held-to-maturity nor held for trading. Investments which are classified as "available-for-sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognized directly in the statement of comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognized in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at amortized cost less impairment provision.

Held-to-maturity investments

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.2 Recognition, measurement and de-recognition

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

Changes in the fair value of available-for-sale investments are recognized in statements of comprehensive income.

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

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

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

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

3.5.3 Determination of fair values

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

3.5.4 Impairment of financial assets

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.4 Impairment of financial assets (continued)

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 is 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.

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

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in other comprehensive income. On derecognition, any cumulative gain or loss previously recognized in other comprehensive income is included in the statement of income for the year. The determination of what is ‘significant’ or ‘prolonged’ requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

3 Summary of significant accounting policies (continued)

3.6 Financial liabilities

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

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

3.7 Off-setting

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

3.8 Cash and cash equivalents

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

3.9 Short-term and long-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement.

3.10 Premiums receivable

Premiums receivable are recognized when insurance contract is made and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

3.11 Unearned reinsurance commission income

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

3 Summary of significant accounting policies (continued)

3.12 Insurance contracts

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

3.13 Deferred policy acquisition costs

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contacts to which they relate, similar to premium earned.

3.14 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at 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 at statement of financial position date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements in the following year is included in the underwriting account 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 statement of financial position date.

3.15 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of damaged assets.

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

3.16 Reinsurance

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

3 Summary of significant accounting policies (continued)

3.16 Reinsurance (continued)

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

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

Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

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

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

3.17 Liability adequacy test

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

3.18 Insurance contract liabilities

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

3.19 Furniture and equipment

Furniture and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and any impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

3 Summary of significant accounting policies (continued)

3.19 Furniture and equipment (continued)

The assets' useful lives are reviewed at the end of each statement of financial position date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income under other income.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in furniture and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

3.20 Intangible assets

a) Goodwill

Goodwill represents excess of the fair value of the purchase consideration payable, as per SAMA's instructions, over the net identifiable assets acquired from Gulf Insurance Group (formerly: AXA Cooperative Insurance Company). The recoverability of goodwill is tested at each statement of financial position date for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount for goodwill is the value in use.

b) Other intangible assets

Other intangible assets, including software, are measured at cost less accumulated amortization and impairment losses. Those with a finite useful life are amortized over their estimated useful life in accordance with the pattern of expected consumption of economic benefits using straight-line method. Estimated useful life of software is 4 years. Intangible assets with an infinite useful life are not subject to amortization but are tested for impairment each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.21 Leases

Lease liabilities

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

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

3 Summary of significant accounting policies (continued)

3.21 Leases (continued)

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

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

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

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

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

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

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

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

Right-of-use assets (RoU)

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

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

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

3 Summary of significant accounting policies (continued)

3.21 Leases (continued)

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

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

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

3.22 Provisions, claims payable, accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

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

3.23 Payables

Payables are recognized initially at fair value and measured at amortized cost using effective interest rate method.

3.24 Employee benefit obligations

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.25 Share based payments

The cost recharged to the Company under the group share scheme is recognized as an expense on the grant date, in the statement of income with a corresponding effect on the performance share reserve in equity. Any fair value remeasurement on settlement is recognized in the statement of changes in equity.

3.26 Zakat and income tax

a) Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes. Additional current income tax, if any, is accounted for when determined to be required for payment.

b) Income tax

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

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

Additional current income tax, if any, is accounted for when determined to be required for payment.

c) Deferred tax

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

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

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

3 Summary of significant accounting policies (continued)

3.27 Revenue recognition

(a) Recognition of premium and reinsurance commission revenue

Premiums and commission are recorded in the statement of income - insurance operations and accumulated surplus based on straight line method over the insurance policy coverage period except for long term polices (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight-line method over the insurance policy coverage except for:

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

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

(b) Commission, dividend income and other income

Commission income on short-term deposits, long-term deposits, statutory deposit, available-for-sale investments and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method. Dividend income is recognized when the right to receive a dividend is established. Income from Al Manafeth third party liability insurance fund and Umrah fund are recognized as other income on the basis of quarterly financial statements released by the Fund Manager.

3.28 Trade date accounting

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

3.29 Seasonality of operations

There are no seasonal changes that affect insurance operations.

4 Critical accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future years. 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. The following are the accounting judgments and estimates that are critical in the preparation of these financial statements:

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

Judgment by management is required in the estimation of amounts due to medical providers and third parties arising from claims made under insurance contracts. Such estimates are necessary based on assumptions derived from several factors involving varying degrees of judgment and uncertainty as well as actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. 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. Claims requiring court or arbitration decisions, if any, are estimated individually. The management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and actual settlement is included in provisions in the following year in the statement of income for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

A range of methods such as the Chain Ladder Method, the Bornhuetter-Ferguson Method and the Expected Loss Ratio Method are used by the actuaries to determine these provisions. Also, the actuaries have used a segmentation approach which includes analyzing the costs per member per year for the medical line of business. Underlying these methods are also a number of explicit or implicit assumptions relating to the expected settlement amount and the settlement patterns of the claims.

Estimation of premium deficiency for medical insurance is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for active written policies. To arrive at the estimate of the expected loss ratio, the entity's actuarial team, and also the independent actuary, consider the claims and premiums relationship which is expected to apply on a month-to-month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

ii) Impairment of receivables

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

iii) Deferred acquisition costs

Acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of income over the period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income.

4 Critical accounting judgements, estimates and assumptions (continued)

iv) Useful lives of furniture and fixtures, and right-of-use assets

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

v) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

vi) Impairment of available-for-sale investments

The Company's exercises judgment to consider impairment on the available-for-sale investments at each reporting date. This includes determination of a significant or a prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share prices. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Company considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, which is recognised in the statement of income as an impairment charge on investments. A prolonged decline represents a decline below cost that persists for 1 year or longer irrespective of the amount and is recognised in the statement of income accordingly as an impairment charge on investments. The previously recognised impairment loss in respect of equity investments cannot be reversed through the statement of income. The Group reviews its debt securities classified as available-for-sale at each reporting date to assess whether they are impaired.

vii) Going concern

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

viii) Impairment of Goodwill

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

5 Cash and cash equivalents

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

	31 December 2022	**31 December 2021**
Bank balances and cash	**137,857**	86,719
Deposits maturing with three months maturity or less from the placement date	**196,735**	2,802
	334,592	89,521

Cash at banks are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. As at 31 December 2022, deposits were placed with local banks with original maturities of three months or less from the date of placement and earned financial income at 4.90% to 5.75% (31 December 2021: 0.50% to 1.00%) per annum.

6 Short-term and long-term deposits

Short-term deposits are placed with local banks with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earn financial income at a rate of 3.95% to 6.85% (2021: 0.90% to 4.00%) per annum.

Long-term deposits represent deposits in various banks carrying commission income at a rate of 2.65% to 4.02% (2021: 2.80% to 4.10%) per annum and will mature by 20 June 2024.

7 Premiums and reinsurers' balances receivable

	31 December 2022	**31 December 2021**
Policyholders	**285,080**	290,106
Brokers and agents	**1,130**	559
Related parties (Note 20)	**8,798**	9,038
Reinsurers	**49,058**	43,360
	344,066	343,063
Provision for doubtful debts (Note 7)	**(47,745)**	(43,252)
	296,321	299,811

The aging analysis of receivables from insurance and reinsurance contracts is as follows:

	Neither past due nor impaired	**Past due but not impaired**			**Total**
		91 to 180 days	**181 to 360 days**	**More than 360 days**	
31 December 2022	**219,741**	**40,214**	**29,137**	**7,229**	**296,321**
31 December 2021	214,765	47,975	27,583	9,488	299,811

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

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

7 Premiums and reinsurers' balances receivable (continued)

Movement in provision for doubtful debts is as follows:

	2022	2021
1 January	**43,252**	45,551
Provision for the year (Note 23)	**4,493**	3,941
Write off during the year	**-**	(6,240)
31 December	**47,745**	43,252

Unimpaired premiums and reinsurer's balances receivable are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over these balances and are, therefore, unsecured.

8 Investments

Investments are comprised of the following:

	31 December 2022	31 December 2021
Insurance operations		
Available-for-sale	**668,936**	689,076
Held-to-maturity	**78,755**	78,772
Total	**747,691**	767,848
Shareholders' operations		
Available-for-sale	**466,977**	474,307
Held-to-maturity	**60,000**	60,000
Total	**526,977**	534,307
Total investments	**1,274,668**	1,302,155

Investment securities are classified as follows:

i) Available-for-sale investments

	Domestic		International		Total	
	2022	2021	2022	2021	2022	2021
Insurance operations						
Government bonds	**467,836**	480,457	**96,978**	97,367	**564,814**	577,824
Other bonds	**47,238**	41,946	**41,530**	49,828	**88,768**	91,774
Mutual funds	**15,354**	19,478	**-**	-	**15,354**	19,478
Total	**530,428**	541,881	**138,508**	147,195	**668,936**	689,076
Shareholders' operations						
Government bonds	**369,812**	361,127	**18,392**	10,108	**388,204**	371,235
Other bonds	**21,305**	27,000	**10,567**	802	**31,872**	27,802
Mutual funds	**5,662**	7,105	**-**	-	**5,662**	7,105
Equities	**41,239**	68,165	**-**	-	**41,239**	68,165
Total	**438,018**	463,397	**28,959**	10,910	**466,977**	474,307

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

8 Investments (continued)

i) Available-for-sale investments (continued)

Movements in available-for-sale investments are as follows:

	Insurance operations	Shareholders' operations	Total
As of 1 January 2021	689,178	236,618	925,796
Purchases	177,007	249,738	426,745
Disposals	(162,896)	(17,044)	(179,940)
Gain on sale of investments	866	3,439	4,305
Amortization of premium on available-for-sale investments	(917)	(238)	(1,155)
Accretion for the discount on available- for-sale investments	1,266	346	1,612
Changes in fair value of investments	(15,428)	1,448	(13,980)
As at 31 December 2021	689,076	474,307	1,163,383
As of 1 January 2022	**689,076**	**474,307**	**1,163,383**
Purchases	**142,754**	**97,946**	**240,700**
Disposals	**(112,520)**	**(70,948)**	**(183,468)**
(Loss)/gain on sale of investments	**(523)**	**13,402**	**12,879**
Amortization of premium on available-for-sale investments	**(833)**	**(883)**	**(1,716)**
Accretion for the discount on available- for-sale investments	**1,231**	**567**	**1,798**
Impairment	**-**	**(2,649)**	**(2,649)**
Changes in fair value of investments	**(50,249)**	**(44,765)**	**(95,014)**
As at 31 December 2022	**668,936**	**466,977**	**1,135,913**

Available-for-sale investments at 31 December 2022 include 1,923,078 shares (2021: 1,923,078 shares) in Najm for Insurance Services and are held by the Company at SR 1 (2021: SR 1), due to unavailability of required information to conduct the fair valuation exercise.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

8 Investments (continued)

i) Available-for-sale investments (continued)

Movement in fair value reserve on available-for-sale investments is as follows:

	Insurance operations	Shareholders' operations	Total
As of 1 January 2021	26,538	15,382	41,920
Change in fair value	(14,561)	4,581	(9,980)
Realized gains on disposal of investments	(867)	(3,438)	(4,305)
Allowance for impairment – net	-	305	305
As at 31 December 2021	11,110	16,830	27,940
As of 1 January 2022	**11,110**	**16,830**	**27,940**
Change in fair value	**(50,772)**	**(33,088)**	**(83,860)**
Realized gain/(loss) on disposal of investments	**523**	**(13,402)**	**(12,879)**
Allowance for impairment – net	**-**	**1,725**	**1,725**
As at 31 December 2022	**(39,139)**	**(27,935)**	**(67,074)**

ii) Held-to-maturity investments

Held-to-maturity investments are comprised of domestic fixed-rate securities at 31 December 2022 of SR 138.8 million (31 December 2021: SR 138.8 million).

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

	Insurance operations	Shareholders' operations	Total
As of 1 January 2021	78,786	60,000	138,786
Amortization of premium on held-to-maturity investments	(14)	-	(14)
As at 31 December 2021	78,772	60,000	138,772
As of 1 January 2022	**78,772**	**60,000**	**138,772**
Amortization of premium on held-to-maturity investments	**(17)**	**-**	**(17)**
As at 31 December 2022	**78,755**	**60,000**	**138,755**

9 Prepaid expenses and other assets

	31 December 2022	31 December 2021
Accrued income	**16,309**	18,305
Prepaid expenses	**9,113**	5,016
Receivable from Manafeth	**6,621**	3,536
Employees' receivable	**492**	2,497
Other	**2,141**	501
	34,676	29,855

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10 Right-of-use asset and lease liability

	31 December 2022	31 December 2021
Right-of-use asset – building		
Cost		
1 January	**27,086**	27,086
Additions	**-**	-
31 December	**27,086**	27,086
Accumulated depreciation		
1 January	**(6,607)**	(3,964)
Charge for the year (Note 23)	**(2,641)**	(2,643)
31 December	**(9,248)**	(6,607)
Net book value	**17,838**	20,479

Lease liability	31 December 2022	31 December 2021
Within one year	**3,183**	3,183
Later than one year but not later than five years	**12,732**	12,732
Later than five years	**3,183**	6,366
	19,098	22,281
Future finance charges	**(2,158)**	(2,874)
Total lease liability	**16,940**	19,407
Current portion	**2,466**	2,406
Non-current portion	**14,474**	17,001
	16,940	19,407

In June 2019, the Company leased its head office building for a period of 10 years on the terms that contract would be renewed as per mutual consent upon expiry. Depreciation on right to use asset is charged at 10% on straight line basis.

Interest expense on a lease amounted to SR 0.7 million during the year ended 31 December 2022 under "Other income - net" in the statement of income (2021: SR 0.80 million).

Short-term leases that were expensed during the year ended 31 December 2022 amounted to SR 2.5 million (2021: SR 3.15 million).

11 Reinsurers' share of outstanding claims and reserves

All amounts due from reinsurers are expected to be received within 12 months from the statement of financial position date.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

12 Furniture and equipment and intangible assets

(a) Furniture and equipment

	Furniture and fixtures	**Equipment**	**Total**
2022			
Cost			
1 January	**29,771**	**24,198**	**53,969**
Additions	**416**	**1,579**	**1,995**
31 December	**30,187**	**25,777**	**55,964**
Accumulated depreciation			
1 January	**(15,992)**	**(18,459)**	**(34,451)**
Charge for the year (Note 23)	**(3,708)**	**(2,586)**	**(6,294)**
31 December	**(19,700)**	**(21,045)**	**(40,745)**
Net book value			
31 December	**10,487**	**4,732**	**15,219**

	Furniture and fixtures	Equipment	Total
2021			
Cost			
1 January	26,446	22,900	49,346
Additions	3,325	1,298	4,623
31 December	29,771	24,198	53,969
Accumulated depreciation			
1 January	(12,138)	(15,500)	(27,638)
Charge for the year (Note 23)	(3,854)	(2,959)	(6,813)
31 December	(15,992)	(18,459)	(34,451)
Net book value			
31 December	13,779	5,739	19,518

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

	Years
Furniture and fixtures	5
Equipment	3 – 4

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

12 Furniture and equipment and intangible assets (continued)

(b) Intangible assets

	2022			*2021*
	Computer software	*CWIP*	*Total*	*Computer software*
Cost				
1 January	**44,720**	**-**	**44,720**	35,770
Additions	**13,499**	**9,731**	**23,230**	8,950
31 December	**58,219**	**9,731**	**67,950**	44,720
Accumulated amortization				
1 January	**(32,473)**	**-**	**(32,473)**	(26,951)
Amortization (Note 23)	**(3,463)**	**-**	**(3,463)**	(5,522)
31 December	**(35,936)**	**-**	**(35,936)**	(32,473)
Net book Value	**22,283**	**9,731**	**32,014**	12,247

Capital work-in-process ("CWIP") represents software and related modules under development.

13 Claims payable, accrued expenses and other liabilities

	31 December 2022	**31 December 2021**
Insurance operations:		
Claims payable	**54,355**	91,084
Accrued salaries	**12,592**	17,130
Commission payable	**58,605**	38,215
Regulators' fee	**6,129**	6,450
Unclaimed cheques	**9,067**	16,194
Payable to vendors	**12,312**	26,018
Other	**13,120**	5,127
	166,180	200,218
Shareholders' operations:		
Directors' fees	**-**	1,249
Other	**1,176**	-
	1,176	1,249
Total	**167,356**	201,467

14 Surplus distribution payable

	2022	**2021**
As at 1 January	**33,976**	26,973
Total income attributed to the insurance operations during the year	**6,223**	16,030
Surplus paid to policyholders	**(10,980)**	(9,027)
As at 31 December	**29,219**	33,976

As per SAMA's surplus distribution policy, policyholders are eligible for 10% of the net surplus from the insurance operations, provided certain conditions are met.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

15 Employee benefit obligations

15.1 General description of the plan

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

	31 December 2022	31 December 2021
1 January	**31,633**	31,488
Current service cost	**(1,214)**	3,219
Past service cost	**9**	-
Interest expense	**987**	214
Payments	**(1,993)**	(3,288)
Remeasurement gains	**(4,470)**	-
31 December	**24,952**	31,633

15.2 Amounts recognised in the statement of income and other comprehensive income

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

	2022	2021
Current service cost	**(1,214)**	3,219
Past service cost	**9**	-
Interest expense	**987**	214
Total amount recognised in profit or loss	**(218)**	3,433

15.3 Key actuarial assumptions

	31 December 2022	31 December 2021
Discount rate	**4.90%**	2.90%
Average salary growth rate	**2.00%**	2.00%

15.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(1,867)	2,887
Average salary growth rate	1%	1%	2,237	(2,543)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

15 Employee benefit obligations (continued)

15.4 Sensitivity analysis for actuarial assumptions (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination. The method and types of assumptions used in preparing the sensitivity analysis did not change compared to prior year.

15.5 Expected maturity analysis

The weighted average duration of the defined benefit obligations is 14.05 years (2021: 12.3 years).

15.6 Expected payments

The following are the expected payments or contributions to the defined benefit plan in future years:

	2022	**2021**
Within the next 12 months (next annual reporting period)	**7,271**	5,890
Between 2 and 5 years	**4,328**	4,717
Between 5 and 10 years	**5,194**	7,076
Beyond 10 years	**8,159**	13,951
Total expected payments	**24,952**	31,634

16 Technical reserves

a. Outstanding claims and reserves

Outstanding claims and reserves comprise of the following:

	2022		
	Gross	**Reinsurance**	**Net**
1 January	**366,614**	**(120,273)**	**246,341**
Claims paid	**(1,127,217)**	**70,557**	**(1,056,660)**
Claims incurred	**1,339,582**	**(65,726)**	**1,273,856**
31 December	**578,979**	**(115,442)**	**463,537**
Salvage and subrogation	**(102,416)**	**-**	**(102,416)**
Gross outstanding claims	**476,563**	**(115,442)**	**361,121**
Claims incurred but not reported	**470,687**	**(27,992)**	**442,695**
Unallocated loss adjustment expenses reserve	**6,477**	**-**	**6,477**
	477,164	**(27,992)**	**449,172**
31 December	**953,727**	**(143,434)**	**810,293**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

16 Technical reserves (continued)

a. Outstanding claims and reserves (continued)

	2021		
	Gross	Reinsurance	Net
1 January	288,704	(74,988)	213,716
Claims paid	(994,592)	48,205	(946,387)
Claims incurred	1,162,272	(93,490)	1,068,782
31 December	456,384	(120,273)	336,111
Salvage and subrogation	(89,770)	-	(89,770)
Gross outstanding claims	366,614	(120,273)	246,341
Claims incurred but not reported	648,782	(54,747)	594,035
Unallocated loss adjustment expenses reserve	5,460	-	5,460
	654,242	(54,747)	599,495
31 December	1,020,856	(175,020)	845,836

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. The management and external actuary have made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

b. Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	2022		
	Gross	**Reinsurance**	**Net**
1 January	**517,829**	**(26,333)**	**491,496**
Premium written during the year	**1,567,251**	**(141,550)**	**1,425,701**
Premium earned during the year	**(1,485,125)**	**136,659**	**(1,348,466)**
31 December	**599,955**	**(31,224)**	**568,731**

	2021		
	Gross	**Reinsurance**	**Net**
1 January	486,709	(23,455)	463,254
Premium written during the year	1,454,470	(144,529)	1,309,941
Premium earned during the year	(1,423,350)	141,651	(1,281,699)
31 December	517,829	(26,333)	491,496

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

16 Technical reserves (continued)

c. Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2022		
	Gross	**Reinsurance**	**Net**
1 January	**49,307**	**(3,458)**	**45,849**
Incurred during the year	**161,566**	**(17,468)**	**144,098**
Amortized during the year	**(150,253)**	**16,321**	**(133,932)**
31 December	**60,620**	**(4,605)**	**56,015**

	2021		
	Gross	**Reinsurance**	**Net**
1 January	36,492	(3,364)	33,128
Incurred during the year	142,006	(16,546)	125,460
Amortized during the year	(129,191)	16,452	(112,739)
31 December	49,307	(3,458)	45,849

17 Commitments and contingencies

(i) The Company has issued various other bank guarantees for an amount of Saudi Riyals 38.9 million (2021: Saudi Riyals 31.4 million) in the ordinary course of business.

(ii) The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While the total amount claimed is SR 13.1 million (2021: SR 9.9 million) 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.

18 Determination of fair value and fair value hierarchy

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

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

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

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

18 Determination of fair value and fair value hierarchy (continued)

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.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

(a) Carrying amounts and fair value

		Fair value			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2022					
Financial assets measured at fair value (Insurance operations)					
Available-for-sale investments					
- Government bonds	**564,814**	**564,814**	**-**	**-**	**564,814**
- Other bonds	**88,768**	**88,768**	**-**	**-**	**88,768**
- Mutual funds	**15,354**	**15,354**	**-**	**-**	**15,354**
	668,936	**668,936**	**-**	**-**	**668,936**
Financial assets measured at fair value (Shareholders' operations)					
Available-for-sale investments					
- Government bonds	**388,204**	**388,204**	**-**	**-**	**388,204**
- Other bonds	**31,872**	**31,872**	**-**	**-**	**31,872**
- Mutual funds	**5,662**	**5,662**	**-**	**-**	**5,662**
- Equities	**41,239**	**41,239**	**-**	**-**	**41,239**
	466,977	**466,977**	**-**	**-**	**466,977**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

18 Determination of fair value and fair value hierarchy (continued)

(a) Carrying amounts and fair value (continued)

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
31 December 2021					
Financial assets measured at fair value (Insurance operations)					
Available-for-sale investments					
- Government bonds	577,824	577,824	-	-	577,824
- Other bonds	91,774	91,774	-	-	91,774
- Mutual funds	19,478	19,478	-	-	19,478
	689,076	689,076	-	-	689,076
Financial assets measured at fair value (Shareholders' operations)					
Available-for-sale investments					
- Government bonds	371,235	371,235	-	-	371,235
- Other bonds	27,802	27,802	-	-	27,802
- Mutual funds	7,105	7,105	-	-	7,105
- Equities	68,165	68,165	-	-	68,165
	474,307	474,307	-	-	474,307

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the unforeseen circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required.

19 Segmental information

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of income. Segment assets and liabilities comprise operating assets and liabilities. Segment assets do not include cash and cash equivalents, short-term deposits, premiums and reinsurers' balances receivable - net, investments, prepaid expenses and other assets, long-term deposits, right-of-use asset, furniture and equipment, intangible assets, due from shareholders' / insurance operations, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include claims payable, accrued expenses and other liabilities, surplus distribution payable, reinsurers' balances payable, advance premiums, due to a related party, employee benefit obligations, zakat and income tax, lease liability, due to shareholders' / insurance operations, and accrued income payable to SAMA.

19 Segmental information (continued)

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

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

- Motor
- Property and casualty
- Health; and
- Protection

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

Where intersegment transaction was to occur, transfer prices 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.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2022 and 2021, its total revenues, expenses, and net income for the years then ended, are as follows:

	Insurance operations						
31 December 2022	**Motor**	**Property and casualty**	**Health**	**Protection**	**Total**	**Shareholders' operations**	**Grand Total**
Assets							
Reinsurers' share of unearned premiums	-	29,518	1,511	195	31,224	-	31,224
Reinsurers' share of outstanding claims	2,584	107,858	5,000	-	115,442	-	115,442
Reinsurers' share of claims incurred but not reported and other reserves	-	18,765	909	8,318	27,992	-	27,992
Deferred policy acquisition costs	42,646	8,192	8,865	917	60,620	-	60,620
Segment assets	45,230	164,333	16,285	9,430	235,278	-	235,278
Unallocated assets					1,633,691	1,042,081	2,675,772
Total assets					1,868,969	1,042,081	2,911,050
Liabilities and equity							
Unearned premiums	350,713	94,067	146,086	9,089	599,955	-	599,955
Unearned reinsurance commission	-	4,150	380	75	4,605	-	4,605
Outstanding claims	114,956	244,078	107,521	10,008	476,563	-	476,563
Claims incurred but not reported and other reserves	265,262	102,581	75,626	33,695	477,164	-	477,164
Segment liabilities	730,931	444,876	329,613	52,867	1,558,287	-	1,558,287
Unallocated liabilities and equity					310,682	1,042,081	1,352,763
Total liabilities and equity					1,868,969	1,042,081	2,911,050

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

	Insurance operations						
31 December 2021	Motor	Property and casualty	Health	Protection	Total	Shareholders' operations	Grand Total
Assets							
Reinsurers' share of unearned premiums	712	25,384	143	94	26,333	-	26,333
Reinsurers' share of outstanding claims	4,125	105,631	1,351	9,166	120,273	-	120,273
Reinsurers' share of claims incurred but not reported and other reserves	13,793	35,475	-	5,479	54,747	-	54,747
Deferred policy acquisition costs	31,729	7,215	9,520	843	49,307	-	49,307
Segment assets	50,359	173,705	11,014	15,582	250,660	-	250,660
Unallocated assets					1,689,165	1,051,244	2,740,409
Total assets					1,939,825	1,051,244	2,991,069
Liabilities and equity							
Unearned premiums	274,935	81,259	153,821	7,814	517,829	-	517,829
Unearned reinsurance commission	143	3,304	10	1	3,458	-	3,458
Outstanding claims	39,176	252,927	58,613	15,898	366,614	-	366,614
Claims incurred but not reported and other reserves	413,616	157,154	61,456	22,016	654,242	-	654,242
Segment liabilities	727,870	494,644	273,900	45,729	1,542,143	-	1,542,143
Unallocated liabilities and equity					397,682	1,051,244	1,448,926
Total liabilities and equity					1,939,825	1,051,244	2,991,069

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

	Insurance operations						
2022	**Motor**	**Property and casualty**	**Health**	**Protection**	**Total**	**Shareholders' operations**	**Grand Total**
Revenues							
Gross premiums written							
- Large corporates	**315,793**	**96,511**	**341,517**	**-**	**753,821**	**-**	**753,821**
- Medium corporates	**165,398**	**72,520**	**16,528**	**67,335**	**321,781**	**-**	**321,781**
- Small corporates	**124,742**	**45,751**	**1,934**	**-**	**172,427**	**-**	**172,427**
- Micro enterprises	**6,027**	**3,248**	**18**	**-**	**9,293**	**-**	**9,293**
- Retail	**187,179**	**59,637**	**34,549**	**-**	**281,365**	**-**	**281,365**
- Reinsurance	**-**	**28,564**	**-**	**-**	**28,564**	**-**	**28,564**
	799,139	**306,231**	**394,546**	**67,335**	**1,567,251**	**-**	**1,567,251**
Reinsurance premiums ceded							
- Foreign	**(2,470)**	**(99,857)**	**(19,617)**	**(6,798)**	**(128,742)**	**-**	**(128,742)**
- Local	**-**	**(10,566)**	**-**	**(2,242)**	**(12,808)**	**-**	**(12,808)**
	(2,470)	**(110,423)**	**(19,617)**	**(9,040)**	**(141,550)**	**-**	**(141,550)**
Net premiums written	**796,669**	**195,808**	**374,929**	**58,295**	**1,425,701**	**-**	**1,425,701**
Changes in unearned premiums	**(75,778)**	**(12,808)**	**7,735**	**(1,275)**	**(82,126)**	**-**	**(82,126)**
Changes in reinsurers' share of unearned premiums	**(717)**	**4,138**	**1,369**	**101**	**4,891**	**-**	**4,891**
Net premiums earned	**720,174**	**187,138**	**384,033**	**57,121**	**1,348,466**	**-**	**1,348,466**
Reinsurance commissions	**(2)**	**11,111**	**4,442**	**770**	**16,321**	**-**	**16,321**
Total revenues	**720,172**	**198,249**	**388,475**	**57,891**	**1,364,787**	**-**	**1,364,787**
Underwriting costs and expenses							
Gross claims paid	**727,866**	**86,884**	**286,716**	**25,751**	**1,127,217**	**-**	**1,127,217**
Reinsurers' share of claims paid	**(1,479)**	**(47,036)**	**(13,660)**	**(8,382)**	**(70,557)**	**-**	**(70,557)**
Net claims and other benefits paid	**726,387**	**39,848**	**273,056**	**17,369**	**1,056,660**	**-**	**1,056,660**

(Continued)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

2022	Insurance operations Motor	Property and casualty	Health	Protection	Total	Shareholders' operations	Grand Total
Changes in outstanding claims	**75,779**	**(8,847)**	**48,907**	**(5,890)**	**109,949**	**-**	**109,949**
Changes in reinsurers' share of outstanding claims	**1,541**	**(2,225)**	**(3,964)**	**9,480**	**4,832**	**-**	**4,832**
Changes in claims incurred but not reported and other reserves	**(148,354)**	**(54,572)**	**14,169**	**11,679**	**(177,078)**	**-**	**(177,078)**
Changes in reinsurers' share of claims incurred but not reported and other reserves	**13,793**	**16,710**	**(909)**	**(2,839)**	**26,755**	**-**	**26,755**
Net claims and other benefits incurred	**669,146**	**(9,086)**	**331,259**	**29,799**	**1,021,118**	**-**	**1,021,118**
Policy acquisition costs	**85,299**	**31,051**	**29,295**	**4,608**	**150,253**	**-**	**150,253**
Total underwriting costs and expenses	**754,445**	**21,965**	**360,554**	**34,407**	**1,171,371**	**-**	**1,171,371**
Net underwriting income	**(34,273)**	**176,284**	**27,921**	**23,484**	**193,416**	**-**	**193,416**
Other operating expenses							
General and administrative expenses	**(93,889)**	**(24,397)**	**(50,067)**	**(7,447)**	**(175,800)**	**(2,030)**	**(177,830)**
Other income - net (unallocated)	**-**	**-**	**-**	**-**	**44,613**	**39,335**	**83,948**
Total other operating expenses - net	**(93,889)**	**(24,397)**	**(50,067)**	**(7,447)**	**(131,187)**	**37,305**	**(93,882)**
Total income before surplus attribution, zakat and income tax							**99,534**
Surplus attributed to the insurance operations							**(6,223)**
Total income for the year before zakat and income tax							**93,311**
Zakat expense							**(16,820)**
Income tax expense							**(689)**
Total income for the year attributable to the shareholders							**75,802**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

	Insurance operations						
2021	Motor	Property and casualty	Health	Protection	Total	Shareholders' operations	Grand Total
Revenues							
Gross premiums written							
- Large corporates	281,236	107,819	328,745	-	717,800	-	717,800
- Medium corporates	177,562	49,012	29,283	67,750	323,607	-	323,607
- Small corporates	41,655	37,248	2,773	-	81,676	-	81,676
- Micro enterprises	5,667	3,838	3	-	9,508	-	9,508
- Retail	231,484	48,747	20,617	-	300,848	-	300,848
- Reinsurance	-	21,031	-	-	21,031	-	21,031
	737,604	267,695	381,421	67,750	1,454,470	-	1,454,470
Reinsurance premiums ceded							
- Foreign	(200)	(92,230)	(14,218)	(17,724)	(124,372)	-	(124,372)
- Local	-	(9,400)	-	(10,757)	(20,157)	-	(20,157)
	(200)	(101,630)	(14,218)	(28,481)	(144,529)	-	(144,529)
Net premiums written	737,404	166,065	367,203	39,269	1,309,941	-	1,309,941
Changes in unearned premiums	(35,495)	(6,522)	14,386	(3,489)	(31,120)	-	(31,120)
Changes in reinsurers' share of unearned premiums	712	3,313	(881)	(266)	2,878	-	2,878
Net premiums earned	702,621	162,856	380,708	35,514	1,281,699	-	1,281,699
Reinsurance commissions	1,168	11,802	3,092	390	16,452	-	16,452
Total revenues	703,789	174,658	383,800	35,904	1,298,151	-	1,298,151
Underwriting costs and expenses							
Gross claims paid	554,363	37,428	371,104	31,697	994,592	-	994,592
Reinsurers' share of claims paid	(1,365)	(19,265)	(10,419)	(17,156)	(48,205)	-	(48,205)
Net claims and other benefits paid	552,998	18,163	360,685	14,541	946,387	-	946,387

(Continued)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19 Segmental information (continued)

	Insurance operations						
2021	Motor	Property and casualty	Health	Protection	Total	Shareholders' operations	Grand Total
Changes in outstanding claims	18,902	61,716	(10,786)	8,078	77,910	-	77,910
Changes in reinsurers' share of outstanding claims	(403)	(38,309)	(159)	(6,414)	(45,285)	-	(45,285)
Changes in claims incurred but not reported and other reserves	(63,511)	(43,197)	(3,549)	(1,669)	(111,926)	-	(111,926)
Changes in reinsurers' share of claims incurred but not reported and other reserves	1,840	15,399	589	505	18,333	-	18,333
Net claims and other benefits incurred	509,826	13,772	346,780	15,041	885,419	-	885,419
Policy acquisition costs	66,504	28,954	25,064	8,669	129,191	-	129,191
Total underwriting costs and expenses	576,330	42,726	371,844	23,710	1,014,610	-	1,014,610
Net underwriting income	127,459	131,932	11,956	12,194	283,541	-	283,541
Other operating expenses							
General and administrative expenses	(91,713)	(21,257)	(49,693)	(4,636)	(167,299)	(1,611)	(168,910)
Other income - net (unallocated)	-	-	-	-	44,057	24,071	68,128
Total other operating expenses - net	(91,713)	(21,257)	(49,693)	(4,636)	(123,242)	22,460	(100,782)
Total income before surplus attribution, zakat and income tax							182,759
Surplus attributed to the insurance operations							(16,030)
Total income for the year before zakat and income tax							166,729
Zakat expense							(17,131)
Income tax expense							(11,075)
Total income for the year attributable to the shareholders							138,523

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

20 Related party transactions and balances

The controlling shareholder of the Company is Gulf Insurance Group (Gulf) B.S.C (formerly, AXA Insurance (Gulf) B.S.C and “GIG Gulf”). GIG Gulf is ultimately owned by Gulf Insurance Group K.S.C.P ("GIG").

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 party transactions during the year ended 31 December 2022 and 2021, respectively, and the related balances:

	2022	2021
Major shareholders		
Gross premiums from major shareholders	-	5,121
Reinsurance premiums ceded to major shareholders	**3,084**	61,287
Reinsurance commissions from major shareholders	**61**	4,170
Net claims paid to major shareholders	-	8,914
Reinsurers ’share of gross claims paid to major shareholders	-	14,316
Expenses charged by major shareholders	**3,781**	1,757
Performance share payment	-	805
Entities controlled, jointly controlled or significantly influenced by shareholders		
Gross premiums from other related parties	**24,210**	23,932
Net claims paid to other related parties	**16,787**	20,822
Expenses charged by other related parties	-	101

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

	2022	2021
Salaries and benefits	**11,143**	9,593
Employee benefit obligations	**1,156**	571
	12,299	10,164

Board of Directors remuneration for the year ended 31 December 2022 was SR 1.27 million (31 December 2021: SR 1.3 million).

The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is on employment terms and as per the by-laws of the Company.

(a) Premiums and reinsurance balances receivable

	31 December 2022	31 December 2021
Receivable from policyholders	**8,798**	9,038
Less: provision for doubtful debts	**(14)**	(585)
	8,784	8,453

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

20 Related party transactions and balances (continued)

(a) Premiums and reinsurance balances receivable (continued)

The ageing analysis of receivables from insurance and reinsurance contracts is as follows:

	Neither past due nor impaired	Past due but not impaired			Total
		91 to 180 days	181 to 360 days	More than 360 days	
31 December 2022	**1,636**	**7,110**	**33**	**5**	**8,784**
31 December 2021	7,996	303	-	154	8,453

Movement in provision for doubtful debts is as follows:

	31 December 2022	31 December 2021
1 January	**585**	1,390
Reversals	**(571)**	(805)
31 December	**14**	585

(b) Due to a related party

Due to a related party represents amounts payable to GIG Gulf.

21 Zakat and income tax

21.1 Components of zakat base

	31 December 2022	31 December 2021
Equity at beginning of year	**860,863**	870,902
Provisions at beginning of year	**74,915**	78,489
Lease liability	**16,940**	19,407
Adjusted net income	**102,556**	182,759
Investments	**(1,274,668)**	(1,302,155)
Right-of-use asset	**(17,838)**	(20,479)
Furniture and equipment	**(15,219)**	(19,518)
Intangible assets	**(32,014)**	(12,247)
Goodwill	**(50,000)**	(50,000)
Statutory deposit	**(50,000)**	(50,000)
Approximate zakat base	**(384,465)**	(302,842)

	31 December 2022	31 December 2021
Charge for the year	**22,275**	17,131
Reversal of provision related to prior years	**(5,455)**	-
	16,820	17,131

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

21 Zakat and income tax (continued)

21.2 Movement in provision for zakat and income tax for the years ended 31 December 2022 and 2021 is as follows:

2022	**Zakat**	**Income tax**	**Total**
1 January	**55,245**	**3,561**	**58,806**
Provision for the year – net	**16,820**	**689**	**17,509**
Payments	**(7,147)**	**(6,035)**	**(13,182)**
31 December	**64,918**	**(1,785)**	**63,133**

2021	Zakat	Income tax	Total
1 January	45,955	4,201	50,156
Provision for the year	17,131	11,075	28,206
Payments	(7,841)	(11,715)	(19,556)
31 December	55,245	3,561	58,806

21.3 Numerical reconciliation of income tax expense to prima facie tax payable

	2022	**2021**
Profit before zakat and income taxes	**102,556**	182,759
Income tax rate applicable to the Company	**20%**	20%
Effective shareholding subject to income tax	**22%**	22%
Income tax on effective shareholding	**4,512**	8,041
Add (less):		
Impact of deferred tax	**(3,766)**	-
Tax effect of amounts which are not deductible in calculating taxable income	**(57)**	3,034
Income tax expense	**689**	11,075

Deferred income taxes arising out of the temporary differences were not significant and, accordingly, were not recognized as of 2021.

21.4 Status of zakat and income tax assessments

The Company has filed its Zakat and Income Tax returns with the ZATCA up to 2021. The Company has finalised its zakat and tax status with the ZATCA for all years up to 31 December 2015.

During 2021, the ZATCA issued assessments of zakat and income tax for the years 2016 through 2018 with additional liability amounting to Saudi Riyals 21.7 million. The Company has filed an appeal with the General Secretariat of Tax Committees ("GSTC") against the ZATCA's assessments. The review and decision of the GSTC is awaited.

The ZATCA has issued assessments for zakat and income tax for the years 2019 and 2020 with additional liability amounting to Saudi Riyals 5.6 million. The Company objected and received a revised assessment with additional Zakat liability of SR 5.2 million. The Company's management is deciding whether to file an appeal or settle the additional liabiltiies.

No assessment has been conducted for the year ended 31 December 2021.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

21 Zakat and income tax (continued)

21.4 Status of zakat and income tax assessment (continued)

Management is of the view that the level of existing provisions for zakat and income tax is sufficient to account for any potential additional liabilities arising out of the final assessments, once issued.

22 Other income - net

	Note	2022	2021
Insurance operations:			
Commission income on deposits		**13,992**	10,970
Commission income on investments		**24,365**	26,206
Realized (loss)/gains on disposal of investments	8	**(523)**	866
Interest on leases		**(717)**	(808)
Other		**7,496**	6,823
		44,613	44,057
Shareholders' operations:			
Commission income on deposits		**13,188**	8,740
Commission income on investments		**15,711**	11,892
Realized gains on disposal of investments	8	**13,402**	3,439
Impairment loss on available-for-sale investments		**(2,649)**	-
Other		**(317)**	-
		39,335	24,071
Total		**83,948**	68,128

23 General and administrative expenses

	Note	2022	2021
Insurance operations:			
Salaries and benefits		**103,906**	94,889
Information technology		**15,220**	20,916
Regulators' fees		**12,344**	10,986
Legal and professional fees		**11,499**	6,147
Depreciation of furniture and equipment	12	**6,294**	6,813
Provision for doubtful debts	7	**4,493**	3,941
Amortization of intangible assets	12	**3,463**	5,522
Depreciation of right-of-use asset	10	**2,641**	2,643
Business travel		**1,125**	1,050
Printing and stationary		**586**	172
Other		**14,229**	14,220
		175,800	167,299
Shareholders' operations:			
Directors' remunerations		**1,622**	1,250
Other		**408**	361
		2,030	1,611
Total		**177,830**	168,910

24 Statutory deposit

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

25 Statutory reserve

In accordance with by-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its total income for the year, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

26 Performance share reserve

AXA Group (the “Group”) has introduced a performance share-based plan for employees of AXA entities world-wide which is designed to reward them for their role in achievement of the Group’s long-term objectives. This scheme incentivizes employees after completion of certain number of years with the Company, with shares of AXA Societe Anonyme (“AXA SA”) without any cost to employees. These shares are issued outside the Kingdom of Saudi Arabia and employees have the right to receive at the settlement date, a certain number of AXA SA shares based on the achievement of performance criteria defined by AXA SA and vesting period. The Company absorbs the cost of these shares under a group recharge arrangement, paid directly to AXA SA. As explained in Note 1, the Group has sold its interest in the Gulf region on 6 September 2021.

As at 31 December 2021, the Company recognised changes in the performance share reserve of SR 0.25 million, Furthermore, Company has recognised an expense amounting to Saudi Riyals 1.4 million in the statement of income with respect to performance shares. However performance share reserve had settled during the year resulting in nil balance.

This scheme has now been discontinued.

27 Share capital

The authorized, issued and paid-up capital of the Company is SR 500 million at 31 December 2022 (31 December 2021: SR 500 million) consisting of 50 million shares (31 December 2021: 50 million shares) of Saudi Riyals 10 each.

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

	31 December 2022	
	Authorized and issued	**Paid up**
	No. of Shares (thousands)	**Saudi Riyals (thousands)**
GIG Gulf	**25,000**	**250,000**
General public	**25,000**	**250,000**
	50,000	**500,000**

Also see Note 1.

	31 December 2021	
	Authorized and issued	**Paid up**
	No. of Shares (thousands)	**Saudi Riyals (thousands)**
GIG Gulf	25,000	250,000
General public	25,000	250,000
	50,000	500,000

28 Risk management

Risk governance

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

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

28 Risk management (continued)

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

Audit Committee and Internal Audit Department:
The Internal Audit Department performs risk assessments with senior management annually. The Internal Audit Department examines both adequacy of procedures and the Company's compliance with the procedures through regular audits. Audit findings and recommendations are reported directly to the Audit Committee.

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 Committee:
Board of Directors of the Company has constituted a Risk Management Committee, which oversees the risk management function of the Company and report to the Board of Directors on periodic basis. This committee operates under framework established by the Board of Directors.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

28.1 Insurance risk management

The risk under an insurance contract is the possibility that the insured event may occur and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk the Company faces under insurance contracts is that the actual claim payments or the timing thereof, differs from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.

(a) Accident, liability, motor and other general insurance

The accident category includes personal accident, money insurance, business all risk insurance and business travel insurance. Liability insurance includes general third-party liability, product liability and workmen's compensation/employer's liability protection arising out of acts of negligence during their business operations.

Motor insurance is designed to compensate policyholders for damage suffered to their vehicles or liability to third parties arising through accidents. Policyholders could also receive compensation for fire damage or theft of their vehicles.

28 Risk management (continued)

28.1 Insurance risk management (continued)

(a) Accident, liability, motor and other general insurance (continued)

For accident, liability and motor policies the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has well developed risk acceptance procedures based on critical underwriting factors such as driver's age, diving experience and nature of vehicle to control the quality of risks that it accepts. It also has risk management procedures in place to control the costs of claims.

(b) Property

Property insurance is designed to compensate policyholders for damage suffered to properties or for the value of property lost. Policyholders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

Significant risks underwritten by the Company under this class are physically inspected by qualified risk engineers to make sure adequate fire protection and security is in place. Also, the Company tracks for the potential of risk accumulation.

(c) Marine

Marine insurance solutions are mainly designed to compensate policyholders from accidents at sea, on land and in the air resulting in the total or partial loss to goods and/or merchandise cargo insurance.

The underwriting strategy for the marine class of business is to ensure that coverage is provided based on the quality of vessels used and shipping routes followed. Vessel details are validated through international agencies while making the underwriting decisions.

(d) Engineering

Engineering covers two principal types as summarized below:

i) “Contractors all risk ”insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, buildings, roads, bridges, sewage works and reservoirs; and

ii) “Erection all risk” insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery.

The Engineering line of business also includes machinery breakdown insurance, electronic equipment insurance and plant all risk.

Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place.

28 Risk management (continued)

28.1 Insurance risk management (continued)

(e) Health and protection

Health insurance is designed to cover the medical expenses incurred as a result of a disease or an illness or an injury. The policy seeks to provide the policyholder and their employees with access to good medical facilities and the latest treatments and technologies, subject to the terms of the relevant policy and the policyholders' personal circumstances.

Protection insurance covers the risks of death or disability following accident or illnesses and compensates the member or dependents in event of loss.

The main risk the Company faces on health and protection insurance is an increase of medical costs which can be more than expected or increase in claims due to exceptional events like outbreak of pandemic diseases. The underwriting strategy includes management of exposures and concentrations within acceptable risk appetite and risk tolerance levels and optimization of reinsurance strategies through a combination of reinsurance cession with approved and well-rated reinsurers and retrocession arrangements. The Company's centralized claims management platform controls and manages its medical insurance claims.

28.2 Reinsurance risk

Similar to other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company only deals with reinsurers approved by the Board of Directors of the Company. The criteria may be summarized as follows:

(a) Minimum acceptable credit rating by agencies that is not lower than prescribed in the Regulations;
(b) Reputation of particular reinsurance companies; and
(c) Existing or past business relationships.

The financial strengths, managerial, technical expertise and historical performance of reinsurer, wherever applicable, are thoroughly reviewed by the Company before placement of reinsurance.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.3 Regulatory framework risk

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

28.4 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the statement of financial position date:

	2022				2021			
	Gross Outstanding claims	Net Outstanding claims	Gross Unearned premiums	Net Unearned premiums	Gross Outstand-ing claims	Net Outstand-ing claims	Gross Unearned premiums	Net Unearned premiums
Motor	**24%**	**31%**	**58%**	**62%**	11%	14%	53%	56%
Property and casualty	**51%**	**38%**	**16%**	**11%**	69%	60%	16%	11%
Health	**23%**	**28%**	**24%**	**25%**	16%	23%	29%	31%
Protection	**2%**	**3%**	**2%**	**2%**	4%	3%	2%	2%
	100%	**100%**	**100%**	**100%**	100%	100%	100%	100%

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors affect the estimates.

28 Risk management (continued)

28.5 Sources of uncertainty in estimation of future claim payments

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The details of estimation of outstanding claims (including IBNR) are given under Notes 4,16 and 28.6.

28.6 Process used to determine assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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

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

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.6 Process used to determine assumptions (continued)

The premium liabilities have been determined such that the total premium liability provisions. Unearned premium reserve and premium deficiency reserve would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired year of the contracts and expectations of future events that are believed to be reasonable.

28.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the statement of financial position 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 impact on the total income before zakat and income tax in the claim liabilities, net of reinsurance, is analyzed below. The sensitivity to changes in claim liabilities, net of reinsurance, is determined separately for each class of business while keeping all other assumptions constant.

Impact of increase in 10% on total income before surplus attribution, zakat and income tax for the year ended is as follows:

	2022	2021
Motor	**72,639**	55,299
Property and casualty	**3,985**	1,816
Health	**27,306**	36,069
Protection	**1,736**	1,455
	105,666	94,639

A decrease of 10% would have an equal but opposite effect on total income before surplus attribution, zakat and income tax for the year ended.

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

		Impact on gross IBNR	
Segment	**Change in current year ultimate loss ratio**	**2022**	**2021**
Motor	Increase by 1%	1,925	6,312
Motor	Decrease by 1%	(1,925)	(6,312)
Health	Increase by 1%	1,017	3,705
Health	Decrease by 1%	(1,017)	(3,705)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.8 Claims development

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

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims development gross of reinsurance:

2022

Accident year	2018 & earlier	2019	2020	2021	2022	Total
At end of reporting year	1,161,995	1,095,858	1,072,603	1,515,255	1,469,978	6,315,689
One year later	1,160,396	1,092,011	1,058,183	1,361,555	-	4,672,145
Two years later	1,155,395	1,088,344	1,064,731	-	-	3,308,470
Three years later	1,130,849	1,105,382	-	-	-	2,236,231
Four years later	1,154,681	-	-	-	-	1,154,681
Current estimate of cumulative claims	1,154,681	1,105,382	1,064,731	1,361,555	1,469,978	6,156,327
Cumulative payment to date	(1,058,827)	(1,013,690)	(948,989)	(1,184,902)	(900,253)	(5,106,661)
Liability recognised in statement of financial position	95,854	91,692	115,742	176,653	569,725	1,049,666
Salvage and subrogation						(102,416)
Unallocated loss adjustment expenses reserve						6,477
Outstanding claims and reserves						953,727

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.8 Claims development (continued)

Claims development net of reinsurance:

2022

Accident year	**2018 & earlier**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of reporting year	1,072,178	1,071,670	1,007,088	1,387,903	1,396,190	5,935,029
One year later	1,068,226	1,071,488	1,003,048	1,232,974	-	4,375,736
Two years later	1,063,140	1,067,239	1,027,358	-	-	3,157,737
Three years later	1,038,520	1,085,888	-	-	-	2,124,408
Four years later	975,676	-	-	-	-	975,676
Current estimate of cumulative claims	975,676	1,085,888	1,027,358	1,232,974	1,396,190	5,718,086
Cumulative payment to date	(893,860)	(1,001,415)	(917,921)	(1,114,114)	(884,527)	(4,811,837)
Liability recognised in statement of financial position	81,816	84,473	109,437	118,860	511,663	906,249
Salvage and subrogation						(102,398)
Unallocated loss adjustment expenses reserve						6,442
Outstanding claims and reserves						810,293

28 Risk management (continued)

28.9 Operational risk

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

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

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.

28.10 Financial risk

The Company's principal financial assets are cash and cash equivalents, short-term deposits, premium and reinsurers' balances receivable - net, other assets, investments, long-term deposits, reinsurers' share of outstanding claims and statutory deposit.

The Company's principal financial liabilities are claims payable, accrued expenses and other liabilities, surplus distribution payable, reinsurers' balances payable, due to a related party, outstanding claims, lease liability, due to/from insurance/shareholders operations and accrued income payable.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risks (including commission rate risk, price risk and currency risk). The audit committee appointed by the Board of Directors of the Company reviews and agrees policies for managing each of these risks which are summarized below:

(i) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed commission rate instruments expose the Company to fair value commission risk.

The Company is exposed to commission rate risk on certain of its term deposits and investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(ii) Commission rate risk (continued)

Effective commission rates of the Company's investments and their maturities as at 31 December 2022 and 2021 are as follows:

2022	Commission bearing Less than 1 year	1 to 5 years	More than 5 years	Effective rate of commission (%)	Non-commission bearing	Total
Insurance operations						
Loans and receivables						
Cash and cash equivalents	254,754	-	-	0.00%	79,838	334,592
Short-term deposits	113,020	-	-	5.28%	-	113,020
Long-term deposits	40,000	30,000	-	2.65%	-	70,000
	407,774	30,000	-		79,838	517,612
Available-for-sale investments	72,277	434,526	146,777	3.29%	15,356	668,936
Held-to-maturity investments	78,755	-	-	3.27%	-	78,755
31 December 2022	558,806	464,526	146,777		95,194	1,265,303
Shareholders' operations						
Loans and receivables						
Short-term deposits	326,301	-	-	6.21%	-	326,301
Long-term deposits	-	50,000	-	3.45%	-	50,000
Statutory deposit	50,000	-	-	5.02%	-	50,000
	376,301	50,000				426,301
Available-for-sale investments	1,858	185,208	233,010	2.94%	46,901	466,977
Held-to-maturity investments	60,000	-	-	3.21%	-	60,000
31 December 2022	438,159	235,208	233,010		46,901	953,278

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(iii) Commission rate risk (continued)

2021	Commission bearing: Less than 1 year	Commission bearing: 1 to 5 years	Commission bearing: More than 5 years	Effective rate of commission (%)	Non-commission bearing	Total
Insurance operations						
Loans and receivables						
Cash and cash equivalents	2,802	-	-	1%	86,719	89,521
Short-term deposits	408,798	-	-	1.50%	-	408,798
Long-term deposits	-	145,721	-	3.56%	-	145,721
	411,600	145,721	-		86,719	644,040
Available-for-sale investments	689,076	-	-	3.43%	-	689,076
Held-to-maturity investments	-	78,772	-	3.28%	-	78,772
31 December 2021	1,100,676	224,493	-		86,719	1,411,888
Shareholders' operations						
Loans and receivables						
Short-term deposits	236,023	-	-	2.40%	-	236,023
Long-term deposits	-	70,000		3.85%	-	70,000
Statutory deposit		50,000	-	0.76%		50,000
	236,023	120,000	-		-	356,023
Available-for-sale investments	474,307	-	-	3.38%	-	474,307
Held-to-maturity investments	-	60,000	-	3.25%	-	60,000
31 December 2021	710,330	180,000	-		-	890,330

There is no significant difference between contractual re-pricing and maturity dates, except for certain held-to-maturity investments, which are subject to variable commission rates based on SIBOR.

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in commission rates of the Company’s deposits, with all other variables held constant:

Currency	Change in variable	Impact on net income 2022	Impact on net income 2021
Saudi Riyals	basis points +50	4,707	4,820
Saudi Riyals	basis points -50	(4,707)	(4,820)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(ii) Currency risk

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that currency risk to the Company is not significant.

(iii) Price risk

Price risk is the risk that the value of financial instruments may fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

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

The Company's available-for-sale investments are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of investments on the Company's profits and equity would be as follows:

	Fair value	Price change	Estimated fair value	Effect on equity
31 December 2022	**1,135,912**	**Increase 10%**	**1,249,503**	**113,591**
		Decrease 10%	**1,022,320**	**(113,591)**
31 December 2021	1,163,383	Increase 10%	1,279,721	116,338
		Decrease 10%	1,047,045	(116,338)

(iv) Credit risk

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

The Company only enters into insurance and reinsurance contracts with recognized and credit worthy 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 limits its credit risk with regard to time deposits by dealing with reputed banks only.

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. There are no significant concentrations of credit risk within the Company.

The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with grade credit rating.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(iv) Credit risk (continued)

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets at 31 December 2022 is Saudi Riyals 1.27 billion (31 December 2021: Saudi Riyals 1.35 billion).

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

Insurance operations' financial assets as at 31 December 2022:

		Non-investment grade		
	Investment grade	Satisfaction	Past due but not impaired	Total
Cash and cash equivalents, investments and deposits				
Fixed-rate securities	**1,094,956**	**46,441**	**-**	**1,141,397**
Floating-rate securities	**98,552**	**10,000**	**-**	**108,552**
Equities and mutual funds	**13,185**	**2,169**	**-**	**15,354**
Other financial assets				
Premiums and insurance balances receivable – net	**-**	**217,487**	**78,834**	**296,321**
Other assets	**-**	**34,676**	**-**	**34,676**
Reinsurers' share of outstanding claims	**-**	**115,442**	**-**	**115,442**
Reinsurers' share of claims incurred but not reported and other reserves	**-**	**27,992**	**-**	**27,992**
	1,206,693	**454,207**	**78,834**	**1,739,734**

Shareholders' operations' financial assets as at 31 December 2022:

		Non-investment grade		
	Investment grade	Satisfaction	Past due but not impaired	Total
Cash and cash equivalents, investments and deposits				
Fixed-rate securities	**820,559**	**3,817**	**-**	**824,376**
Floating-rate securities	**15,000**	**17,000**	**-**	**32,000**
Equities and mutual funds	**26,652**	**20,050**	**-**	**46,702**
Other financial assets				
Accrued income on statutory deposit	**7,357**	**-**	**-**	**7,357**
	869,568	**40,867**	**-**	**910,435**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(iv) Credit risk (continued)

Insurance operations' financial assets as at 31 December 2021:

		Non-investment grade		
	Investment grade	**Satisfaction**	**Past due but not impaired**	**Total**
Cash and cash equivalents, investments and deposits				
Fixed-rate securities	1,219,703	67,393	-	1,287,096
Floating-rate securities	97,562	7,750	-	105,312
Equities and mutual funds	14,276	5,202	-	19,478
Other financial assets				
Premiums and insurance balances receivable – net	-	214,766	85,045	299,811
Other assets	-	23,577	-	23,577
Reinsurers' share of outstanding claims	-	120,373	-	120,373
Reinsurers' share of claims incurred but not reported and other reserves	-	54,747	-	54,747
	1,331,541	493,808	85,045	1,910,394

Shareholders' operations' financial assets as at 31 December 2021:

		Non-investment grade		
	Investment grade	**Satisfaction**	**Past due but not impaired**	**Total**
Cash and cash equivalents, investments and deposits				
Fixed-rate securities	714,341	25,000	-	739,341
Floating-rate securities	25,000	7,000	-	32,000
Equities and mutual funds	35,326	39,944	-	75,270
Other financial assets				
Accrued income on statutory deposit	6,281	-	-	6,281
	780,948	71,944	-	852,892

Credit quality of investments as at 31 December 2022:

	Insurance operations	**Shareholders' operations**
A and above	**944,844**	**823,710**
B	**227,398**	**73,023**
Not rated but considered satisfactory	**30,216**	**63,901**
	1,202,458	**960,634**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(iv) Credit risk (continued)

Credit quality of investments as at 31 December 2021:

	Insurance operations	Shareholders' operations
A and above	830,782	504,093
B	563,784	295,574
Not rated but considered satisfactory	17,320	46,944
	1,411,886	846,611

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

(v) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with insurance contracts. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

Substantially all the financial liabilities of the Company are due within one year of the statement of financial position date except lease liability which due after one year of the statement of financial position date.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(v) Liquidity risk (continued)

The table below summarizes the maturities of the Company's undiscounted contractual obligations at 31 December 2022 and 2021. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	Less than 12 months		More than 12 months		Total	Total
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Insurance operations' financial liabilities						
Claims payable, accrued expenses and other liabilities	**167,356**	200,218	**-**	-	**167,356**	200,218
Reinsurers' balances payable	**74,649**	68,929	**-**	-	**74,649**	68,929
Surplus distribution payable	**29,219**	33,976	**-**	-	**29,219**	33,976
Outstanding claims	**476,563**	366,614	**-**	-	**476,563**	366,614
Claims incurred but not reported and other reserves	**127,171**	340,205	**349,993**	314,037	**477,164**	654,242
Lease liability	**2,466**	16,224	**14,474**	3,183	**16,940**	19,407
Due to a related party	**435**	2,353	**-**	-	**435**	2,353
	877,859	1,028,519	**364,467**	317,220	**1,242,326**	1,345,739
Shareholders' financial liabilities						
Accrued expenses and other liabilities	**1,174**	1,249	**-**	-	**1,174**	1,249
Accrued income payable to SAMA	**7,357**	6,281	**-**	-	**7,357**	6,281
	8,531	7,530	**-**	-	**8,531**	7,530

Maturity profiles

The table below summarizes the maturity profile of the financial assets of the Company based on remaining contractual obligations. Financial liabilities are summarized in table above. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(v) *Liquidity risk* (continued)

	31 December 2022					
	Insurance operation			Shareholder's operation		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Financial assets						
Cash and cash equivalents	**334,592**	**-**	**334,592**	**-**	**-**	**-**
Short-term deposits	**113,020**	**-**	**113,020**	**326,301**	**-**	**326,301**
Premiums and insurance balances receivable - net	**296,321**	**-**	**296,321**	**-**	**-**	**-**
Reinsurers' share of outstanding claims	**115,442**	**-**	**115,442**	**-**	**-**	**-**
Reinsurers' share of claims incurred but not reported and other reserves	**27,992**	**-**	**27,992**	**-**	**-**	**-**
Available-for-sale investments	**87,632**	**581,304**	**668,936**	**48,759**	**418,218**	**466,977**
Other assets	**-**	**-**	**-**	**-**		
Long-term deposits	**40,000**	**30,000**	**70,000**	**-**	**50,000**	**50,000**
Held-to-maturity investments	**78,755**	**-**	**78,755**	**60,000**	**-**	**60,000**
Statutory deposit	**-**	**-**	**-**	**50,000**	**-**	**50,000**
Accrued income on statutory deposit	**-**	**-**	**-**	**7,357**	**-**	**7,357**
	1,093,754	**611,304**	**1,705,058**	**492,417**	**468,218**	**960,635**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

28 Risk management (continued)

28.10 Financial risk (continued)

(v) Liquidity risk (continued)

	31 December 2021					
	Insurance operation			Shareholder's operation		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Financial assets						
Cash and cash equivalents	89,521	-	89,521	-	-	-
Short-term deposits	408,798	-	408,798	236,023	-	236,023
Premiums and insurance balances receivable - net	299,811	-	299,811	-	-	-
Reinsurers' share of outstanding claims	120,273	-	120,273	-	-	-
Reinsurers' share of claims incurred but not reported and other reserves	54,747	-	54,747	-	-	-
Available-for-sale investments	689,076	-	689,076			
Other assets	23,577	-	23,577	-	-	-
Long-term deposits	-	145,721	145,721	-	70,000	70,000
Held-to-maturity investments	-	78,772	78,772	-	60,000	60,000
Statutory deposit	-	-	-	-	50,000	50,000
Accrued income on statutory deposit	-	-	-	6,281	-	6,281
	1,685,803	224,493	1,910,296	242,304	180,000	422,304

29 Capital management

The Company's objectives when managing capital are:

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

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

- Minimum capital requirement of Saudi Riyals 300 million;
- Premium solvency margin; or
- Claims solvency margin.

29 Capital management (continued)

The Company's management, through various scenario analyses as required by SAMA, has assessed the potential impact of Covid-19 on the Company's solvency margin by performing stress testing for various variables such as gross premium growth, increase in employee cost, year-to-date loss ratios, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratios and solvency ratios. The Company's management has concluded that, based on the stress testing performed, the solvency margin of the Company is adequate at 31 December 2022. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

30 Goodwill on acquisition of insurance portfolio

This represents goodwill recognised on acquisition of insurance portfolio and net assets of AXA Insurance Saudi Arabia B.S.C (c). The Company received approval from SAMA on 15 Dhul-Qadah 1433H (corresponding to 1 October 2012) to transfer the insurance portfolio from AXA Saudi Arabia Holding W.L.L. (formerly AXA Insurance Saudi Arabia B.S.C.c) at a total consideration of Saudi Riyals 106.6 million. During 2015, the Company met payment conditions imposed by SAMA and received approval for payment of Saudi Riyals 50.0 million in respect of initial consideration to AXA Saudi Arabia Holding W.L.L. which was recognised as goodwill being the excess of consideration paid and the net assets acquired. The remaining amount of Saudi Riyals 56.6 million which was recorded as contingent liability was accordingly relinquished.

As at the reporting date, impairment testing, based on expected discounted cash flows was performed. The assumptions used involve a considerable degree of estimation on the part of management. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The most significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

- Weighted average cost of capital of 8.5% (2021: 8.5%) and
- Long-term growth rate of 3% (2021: 3%).

Although management believes that the assumptions used to evaluate potential impairment are reasonable, with a significant portion based on the actual performance achieved in the past, such assumptions are inherently subjective.

Based on the assumptions made, the expected discounted future cash flows exceeded the carrying amount of goodwill and accordingly no impairment has been recognised.

A sensitivity analysis has been performed and an increase of 1% of the weighted average cost of capital and a decrease of 0.5% of the long-term growth have no impact on the result of impairment tests.

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information

STATEMENT OF FINANCIAL POSITION

	31 December 2022			31 December 2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
ASSETS						
Cash and cash equivalents	**334,592**	**-**	**334,592**	89,521	-	89,521
Short-term deposits	**113,020**	**326,301**	**439,321**	408,798	236,023	644,821
Premiums and reinsurers' balances receivable - net	**296,321**	**-**	**296,321**	299,811	-	299,811
Reinsurers' share of unearned premiums	**31,224**	**-**	**31,224**	26,333	-	26,333
Reinsurers' share of outstanding claims	**115,442**	**-**	**115,442**	120,273	-	120,273
Reinsurers' share of claims incurred but not reported and other reserves	**27,992**	**-**	**27,992**	54,747	-	54,747
Deferred policy acquisition costs	**60,620**	**-**	**60,620**	49,307	-	49,307
Investments	**747,691**	**526,977**	**1,274,668**	767,848	534,307	1,302,155
Prepaid expenses and other assets	**24,980**	**9,696**	**34,676**	23,577	6,278	29,855
Deferred tax assets	**-**	**3,766**	**3,766**	-	-	-
Long-term deposits	**70,000**	**50,000**	**120,000**	145,721	70,000	215,721
Right-of-use asset	**17,838**	**-**	**17,838**	20,479	-	20,479
Furniture and equipment	**15,219**	**-**	**15,219**	19,518	-	19,518
Intangible assets	**32,014**	**-**	**32,014**	12,247	-	12,247
Due from shareholders'/ insurance operations	**(17,984)**	**17,984**	**-**	(98,355)	98,355	-
Goodwill	**-**	**50,000**	**50,000**	-	50,000	50,000
Statutory deposit	**-**	**50,000**	**50,000**	-	50,000	50,000
Accrued income on statutory deposit	**-**	**7,357**	**7,357**	-	6,281	6,281
TOTAL ASSETS	**1,868,969**	**1,042,081**	**2,911,050**	1,939,825	1,051,244	2,991,069

(Continued)

GULF INSURANCE GROUP (A SAUDI JOINT STOCK COMPANY)
(FORMERLY: AXA COOPERATIVE INSURANCE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2022			31 December 2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
LIABILITIES						
Claims payable, accrued expenses and other liabilities	**166,180**	**1,176**	**167,356**	200,218	1,249	201,467
Surplus distribution payable	**29,219**	**-**	**29,219**	33,976	-	33,976
Reinsurers' balances payable	**74,649**	**-**	**74,649**	68,929	-	68,929
Advance premiums	**37,445**	**-**	**37,445**	30,055	-	30,055
Unearned premiums	**599,955**	**-**	**599,955**	517,829	-	517,829
Unearned reinsurance commission	**4,605**	**-**	**4,605**	3,458	-	3,458
Outstanding claims	**476,563**	**-**	**476,563**	366,614	-	366,614
Claims incurred but not reported and other reserves	**477,164**	**-**	**477,164**	654,242	-	654,242
Lease liability	**16,940**	**-**	**16,940**	19,407	-	19,407
Due to related party	**435**	**-**	**435**	2,353	-	2,353
Employee benefit obligations	**24,952**	**-**	**24,952**	31,633	-	31,633
Zakat and income tax	**-**	**63,133**	**63,133**	-	58,806	58,806
Accrued income payable to SAMA	**-**	**7,357**	**7,357**	-	6,281	6,281
TOTAL LIABILITIES	**1,908,107**	**71,666**	**1,979,773**	1,928,714	66,336	1,995,050
EQUITY						
Share capital	**-**	**500,000**	**500,000**	-	500,000	500,000
Statutory reserve	**-**	**119,862**	**119,862**	-	104,702	104,702
Performance share reserve	**-**	**-**	**-**	-	2,514	2,514
Retained earnings	**-**	**374,019**	**374,019**	-	360,863	360,863
Re-measurement reserve of employee benefit obligations	**-**	**4,470**	**4,470**	-	-	-
Fair value reserve on investments	**(39,138)**	**(27,936)**	**(67,074)**	11,111	16,829	27,940
TOTAL EQUITY	**(39,138)**	**970,415**	**931,277**	11,111	984,908	996,019
TOTAL LIABILITIES AND EQUITY	**1,839,866**	**1,042,081**	**2,911,050**	1,939,825	1,051,244	2,991,069

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF INCOME

	2022			2021		
	Insurance operations	**Share-holders' operations**	**Total**	**Insurance operations**	**Share-holders' operations**	**Total**
Revenues						
Gross premiums written						
- Direct	**1,538,687**	**-**	**1,538,687**	1,433,439	-	1,433,439
- Reinsurance	**28,564**	**-**	**28,564**	21,031	-	21,031
	1,567,251	**-**	**1,567,251**	1,454,470	-	1,454,470
Reinsurance premiums ceded						
- Foreign	**(128,742)**	**-**	**(128,742)**	(124,372)	-	(124,372)
- Local	**(12,808)**	**-**	**(12,808)**	(20,157)	-	(20,157)
	(141,550)	**-**	**(141,550)**	(144,529)	-	(144,529)
Net premiums written	**1,425,701**	**-**	**1,425,701**	1,309,941	-	1,309,941
Changes in unearned premiums	**(82,126)**	**-**	**(82,126)**	(31,120)	-	(31,120)
Changes in reinsurers' share of unearned premiums	**4,891**	**-**	**4,891**	2,878	-	2,878
Net premiums earned	**1,348,466**	**-**	**1,348,466**	1,281,699	-	1,281,699
Reinsurance commissions	**16,321**	**-**	**16,321**	16,452	-	16,452
Total revenues	**1,364,787**	**-**	**1,364,787**	1,298,151	-	1,298,151
Underwriting costs and expenses						
Gross claims paid	**1,127,217**	**-**	**1,127,217**	994,592	-	994,592
Reinsurers' share of claims paid	**(70,557)**	**-**	**(70,557)**	(48,205)	-	(48,205)
Net claims and other benefits paid	**1,056,660**	**-**	**1,056,660**	946,387	-	946,387
Changes in outstanding claims	**109,949**	**-**	**109,949**	77,910	-	77,910
Changes in reinsurance share of outstanding claims	**4,832**	**-**	**4,832**	(45,285)	-	(45,285)
Changes in claims incurred but not reported and other reserves	**(177,078)**	**-**	**(177,078)**	(111,926)	-	(111,926)
Changes in reinsurance share of claims incurred but not reported and other reserves	**26,755**	**-**	**26,755**	18,333	-	18,333

(Continued)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF INCOME (continued)

	2022			2021		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Net claims and other benefits incurred	**1,021,118**	**-**	**1,021,118**	885,419	-	885,419
Policy acquisition costs	**150,253**	**-**	**150,253**	129,191	-	129,191
Total underwriting costs and expenses	**1,171,371**	**-**	**1,171,371**	1,014,610	-	1,014,610
Net underwriting income	**193,416**	**-**	**193,416**	283,541	-	283,541
Other operating expenses						
General and administrative expenses	**(175,800)**	**(2,030)**	**(177,830)**	(167,299)	(1,611)	(168,910)
Other income – net	**44,613**	**39,335**	**83,948**	44,057	24,071	68,128
Total other operating expenses - net	**(131,187)**	**37,305**	**(93,882)**	(123,242)	22,460	(100,782)
Total income before surplus attribution, zakat and income tax	**62,229**	**37,305**	**99,534**	160,299	22,460	182,759
Zakat expense	**-**	**(16,820)**	**(16,820)**	-	(17,131)	(17,131)
Income tax expense	**-**	**(689)**	**(689)**	-	(11,075)	(11,075)
Total income (loss) for the year	**62,229**	**19,796**	**82,025**	160,299	(5,746)	154,553
Surplus transferred to shareholders' operations	**(56,006)**	**56,006**	**-**	(144,269)	144,269	-
Total income for the year after transfer of insurance operations surplus	**6,223**	**75,802**	**82,025**	16,030	138,523	154,553
Earnings per share (expressed in SAR per share)						
Basic earnings per share	**-**	**-**	**1.52**	-	-	2.77
Diluted earnings per share	**-**	**-**	**1.52**	-	-	2.77

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Total income for the year after transfer of insurance operations surplus	**6,223**	**75,802**	**82,025**	16,030	138,523	154,553
Other comprehensive income (loss):						
Items that will not be reclassified to the statement of income in subsequent years						
Re-measurement gain on employee benefit obligations	**-**	**4,470**	**4,470**	**-**	**-**	**-**
Items that will be reclassified to the statement of income in subsequent years						
Net change in fair value of available-for-sale investments	**(50,249)**	**(40,295)**	**(95,014)**	(15,428)	1,448	(13,980)
Total comprehensive income for the year	**(44,026)**	**35,507**	**(8,519)**	602	139,971	140,573

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF CASH FLOWS

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Cash flows from operating activities						
Total income before surplus attribution, zakat and income tax	**62,229**	**37,305**	**99,534**	160,299	22,460	182,759
Adjustments for non-cash items:						
Depreciation of furniture and equipment	**6,294**	**-**	**6,294**	6,813	-	6,813
Depreciation of right-of-use asset	**2,641**	**-**	**2,641**	2,643	-	2,643
Amortization of intangible assets	**3,463**	**-**	**3,463**	5,522	-	5,522
Provision for doubtful debts	**4,493**	**-**	**4,493**	3,941	-	3,941
Interest on lease liability	**717**	**-**	**717**	808	-	808
Interest on employee benefit obligations	**987**	**-**	**987**	214	-	214
Accretion of discount on available-for-sale investments	**(1,231)**	**(567)**	**(1,798)**	(1,266)	(346)	(1,612)
Amortization of premium on available-for-sale investments	**833**	**883**	**1,716**	917	238	1,155
Amortization of premium on held-to-maturity investments	**17**	**-**	**17**	14	-	14
Impairment loss on available-for-sale investments	**2,649**	**-**	**2,649**	-	-	-
Performance share reserve	**-**	**-**	**-**	-	1,379	1,379
Provision for employee benefit obligations	**(1,205)**	**-**	**(1,205)**	3,219	-	3,219
Loss / (gain) on sale of investments	**523**	**(13,402)**	**(12,879)**	(866)	(3,439)	(4,305)
Deferred tax turnaround impact	**-**	**(3,766)**	**(3,766)**	-	-	-
Changes in operating assets and liabilities:						
Premiums and reinsurers' balances receivable - net	**(1,003)**	**-**	**(1,003)**	(89,444)	-	(89,444)
Reinsurers' share of unearned premiums	**(4,891)**	**-**	**(4,891)**	(2,878)	-	(2,878)
Reinsurers' share of outstanding claims	**4,831**	**-**	**4,831**	(45,285)	-	(45,285)
Reinsurers' share of claims incurred but not reported and other reserves	**26,755**	**-**	**26,755**	18,332	-	18,332

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF CASH FLOWS (continued)

	2022			**2021**		
	Insurance operations	**Share-holders' operations**	**Total**	**Insurance operations**	**Share-holders' operations**	**Total**
Deferred policy acquisition costs	**(11,313)**	**-**	**(11,313)**	(12,815)	-	(12,815)
Prepaid expenses and other assets	**(1,403)**	**(3,418)**	**(4,821)**	(3,988)	(6,278)	(10,266)
Accrued income on statutory deposit	**-**	**(1,076)**	**(1,076)**	-	(379)	(379)
Claims payable, accrued expenses and other liabilities	**(34,038)**	**(73)**	**(34,111)**	70,364	(2,027)	68,337
Reinsurers' balances payable	**5,720**	**-**	**5,720**	27,862	-	27,862
Advance premiums	**7,390**	**-**	**7,390**	(6,436)	-	(6,436)
Unearned premiums	**82,126**	**-**	**82,126**	31,120	-	31,120
Unearned reinsurance commission	**1,147**	**-**	**1,147**	96	-	96
Outstanding claims	**109,949**	**-**	**109,949**	77,910	-	77,910
Claims incurred but not reported and other reserves	**(177,078)**	**-**	**(177,078)**	(111,926)	-	(111,926)
Due to a related party	**(1,918)**	**-**	**(1,918)**	(1,032)	-	(1,032)
Accrued income payable to SAMA	**-**	**1,076**	**1,076**	-	379	379
Due from shareholders' operations	**(140,847)**	**140,847**	**-**	(171,954)	171,954	-
	(54,812)	**160,458**	**105,646**	(37,816)	183,941	146,125
Employee benefit obligations paid	**(1,993)**	**-**	**(1,993)**	(3,288)	-	(3,288)
Surplus distribution paid	**(10,980)**	**-**	**(10,980)**	(9,027)	-	(9,027)
Zakat and income tax paid	**-**	**(13,182)**	**(13,182)**	-	(19,556)	(19,556)
Interest paid	**-**	**-**	**-**	(808)	-	(808)
Net cash (used in) / generated from operating activities	**(67,785)**	**147,426**	**79,491**	(50,939)	164,385	113,446

(Continued)

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF CASH FLOWS (continued)

	2022			**2021**		
	Insurance operations	**Share-holders' operations**	**Total**	**Insurance operations**	**Share-holders' operations**	**Total**
Cash flows from investing activities						
Maturity/(placements) of short-term deposits	**295,778**	**(90,278)**	**205,500**	(606,355)	(343,224)	(949,579)
Proceeds from disposals of short-term deposits	**-**	**-**	**-**	452,924	405,251	858,175
Purchases of investments	**(142,754)**	**(97,946)**	**(240,700)**	(177,007)	(249,738)	(426,745)
Proceeds from disposals of investments	**112,520**	**70,948**	**183,468**	207,896	17,044	224,940
Placement of long-term deposits	**-**	**-**	**-**	-	(45,000)	(45,000)
Proceeds from disposals of long-term deposits	**75,721**	**20,000**	**95,721**	-	-	-
Purchases of furniture and equipment	**(1,995)**	**-**	**(1,995)**	(4,623)	-	(4,623)
Purchases of intangible assets	**(23,230)**	**-**	**(23,230)**	(8,950)	-	(8,950)
Net cash generated from (used in) investing activities	**316,040**	**(97,276)**	**218,764**	(136,115)	(215,667)	(351,782)
Cash flows from financing activities						
Principal elements of lease payments	**(3,184)**	**-**	**(3,184)**	(2,374)	-	(2,374)
Dividend settlements	**-**	**(50,000)**	**(50,000)**	-	-	
Performance share reserve – settlement	**-**	**-**	**-**	-	(805)	(805)
Net cash used in financing activities	**(3,184)**	**(50,000)**	**(53,184)**	(2,374)	(805)	(3,179)
Net change in cash and cash equivalents	**245,071**	**-**	**245,071**	(189,428)	(52,087)	(241,515)
Cash and cash equivalents, beginning of the year	**89,521**	**-**	**89,521**	278,949	52,087	331,036
Cash and cash equivalents, end of the year	**334,592**	**-**	**334,592**	89,521	-	89,521
<u>Supplemental non-cash information:</u>						
Changes in fair value of available-for-sale investments	**(50,249)**	**(44,765)**	**(95,014)**	(15,428)	1,448	(13,980)
Premiums and reinsurers' balances receivable written-off	**-**	**-**	**-**	6,240	-	6,240

32 Earnings per share

Basic and diluted earnings per share have been calculated by dividing the income for the year by 50 million shares.

33 Dividend

On 17 March 2022, the Board of Directors of the Company has recommended the distribution of cash dividends Saudi Riyals 50 million for the 2021 fiscal year, which was approved by shareholders in the Ordinary General Assembly meeting held on 15 May 2022.

34 Approval of the financial statements

The financial statements were authorised for issue by the Board of Directors on 20 March 2023G (corresponding to 28 Sha'ban 1444H).