

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Al-EtiHAD Cooperative Insurance Company
(A Saudi Joint Stock Company)

(1/5)

Opinion

We have audited the financial statements of Al-EtiHAD Cooperative Insurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and the summary of significant accounting policies and other explanatory information.

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

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as 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 professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(2/5)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Key Audit Matters (Continued)

Key Audit Matter

Valuation of ultimate claim liabilities arising from insurance contracts

As at December 31, 2022, outstanding claims, claims incurred but not reported (IBNR), additional premium reserves and other technical reserves amounted to Saudi Riyals 280.951 million, Saudi Riyals 100.780 million, Saudi Riyals 4.738 million and Saudi Riyals 10.498 million respectively as reported in Note 9.1 to the financial statements.

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

In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are 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 since use of management assumptions and judgements could result in material overstatement / understatement of the Company's profitability.

The Company's disclosures about the significant accounting policies of the above-mentioned key audit matter is included in Note 3 to the financial statements.

How our audit addressed the key audit matter

We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.

We evaluated the competence, capabilities, and objectivity of the management's actuarial expert by examining their professional qualifications and experiences

In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records.

In order to assess management's methodologies and assumptions, we were assisted by our actuary specialist to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our actuarial specialist performed the following:

- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior years;
- Assessed key actuarial assumptions including claims historical experience, ratios and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's current trends and our own industry knowledge; and
- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(3/5)

To the Shareholders of Al-Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

Other information included in the Company's 2022 Annual Report

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

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(4/5)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

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

As part of an audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(5/5)

To the Shareholders of Al Etihad Cooperative Insurance Company
(A Saudi Joint Stock Company)

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

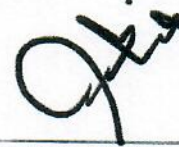
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

For El Sayed El Ayouty & Co.
Certified Public Accountants
P.O. Box 200
Al Khobar 31952,
Kingdom of Saudi Arabia



Abdullah Ahmad Balamesh
Certified Public Accountant
License No. 345

For AlKharashi & Co.
Certified Accountants and Auditors
P.O. Box 8306
Riyadh 11482,
Kingdom of Saudi Arabia



Abdullah Al-Msned
Certified Public Accountant
License No. 456

March 27, 2023
5 Ramadan 1444H



AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<i>Note</i>	2022 SR	2021 SR
ASSETS			
Cash and cash equivalents	5	189,867,156	535,498,139
Long term/fixed income deposits	6	763,241,548	407,676,226
Investments	7	302,304,843	232,995,704
Premiums and reinsurance receivable, net	8	223,255,133	164,107,400
Reinsurers' share of unearned premiums	9	29,167,254	23,550,198
Reinsurers' share of outstanding claims	9	87,337,653	77,841,887
Reinsurers' share of claims incurred but not reported	9	14,592,865	15,919,310
Deferred policy acquisition costs	9	34,245,984	34,263,147
Prepaid expenses and other assets	11	89,190,093	65,738,691
Property and equipment	12	13,342,653	17,773,176
Right of use assets	13	8,337,980	3,673,446
Goodwill	14	4,496,500	4,496,500
Statutory deposit	15	45,000,000	40,000,000
Accrued income on statutory deposit		6,251,854	5,487,213
TOTAL ASSETS		1,810,631,516	1,629,021,037





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

**AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2022**

	<i>Note</i>	2022 SR	2021 SR
LIABILITIES			
Accounts payable		49,907,308	31,870,062
Unearned premiums	9	574,474,009	483,495,311
Outstanding claims	9	280,951,060	242,696,925
Claims incurred but not reported	9	100,779,956	94,588,729
Additional premium reserves	9	4,738,546	14,848,846
Other technical reserves	9	10,497,590	8,388,482
Lease liability	13	7,342,398	3,141,919
Unearned reinsurance commission	16	5,535,258	4,843,821
Accrued and other liabilities	17	145,051,901	129,277,464
Reinsurers' balances payable		18,220,530	12,946,234
End-of-service indemnities	19	16,915,703	17,540,258
Zakat and income tax	24	23,064,068	25,308,163
Accrued commission income payable to SAMA		6,251,854	5,487,213
TOTAL LIABILITIES		1,243,730,181	1,074,433,427
Accumulated surplus payable	18	2,732,864	2,508,583
Re-measurement actuarial loss on end of service indemnities		(1,089,996)	(2,282,286)
TOTAL ACCUMULATED SURPLUS AND RESERVES		1,642,868	226,297
SHAREHOLDERS' EQUITY			
Share capital	25	450,000,000	400,000,000
Statutory reserve	26	12,756,315	36,298,116
Retained earnings		106,310,846	100,478,049
Fair value reserve on investments		(3,808,694)	17,585,148
TOTAL SHAREHOLDERS' EQUITY		565,258,467	554,361,313
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		1,810,631,516	1,629,021,037

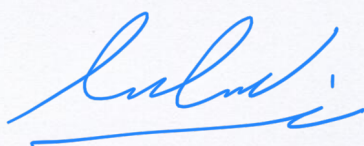


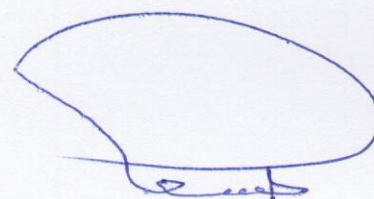


The accompanying notes form an integral part of these financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	<i>Note</i>	2022 SR	2021 SR
REVENUES			
Gross written premiums	9	1,176,700,533	865,477,511
Less: Reinsurance premiums ceded			
- Local		(6,287,871)	(2,804,614)
- Foreign		(53,309,839)	(50,600,854)
Excess of loss premium		(28,532,720)	(19,730,073)
Net premiums written	9	1,088,570,103	792,341,970
Changes in unearned premiums, net		(85,361,642)	(51,455,900)
Net premiums earned	9	1,003,208,461	740,886,070
Reinsurance commission income	16	12,744,391	10,603,944
Other underwriting income	23	22,003,613	13,148,078
TOTAL REVENUES		1,037,956,465	764,638,092
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(771,640,701)	(540,949,709)
Reinsurers' share of claims paid		20,985,001	17,391,608
Net claims and other benefits paid		(750,655,700)	(523,558,101)
Changes in outstanding claims, net		(28,758,369)	(38,915,980)
Changes in claims incurred but not reported, net		(7,517,672)	2,662,023
Change in other technical reserves, net		(2,109,108)	(626,709)
Net claims and other benefits incurred		(789,040,849)	(560,438,767)
Additional premium reserves		10,110,300	(3,909,139)
Policy acquisition costs	9	(74,185,324)	(55,076,735)
Other underwriting expenses		(61,826,491)	(49,946,869)
TOTAL UNDERWRITING COSTS AND EXPENSES		(914,942,364)	(669,371,510)
NET UNDERWRITING INCOME		123,014,101	95,266,582



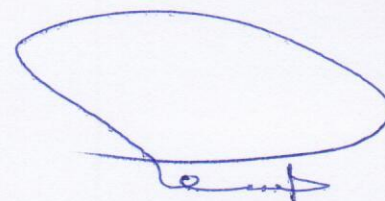


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AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	<i>Note</i>	2022 SR	2021 SR
OTHER OPERATING (EXPENSES) / INCOME			
(Allowance for)/Reversal of doubtful debts	8	(6,936,306)	8,250,069
General and administrative expenses	21	(111,333,640)	(88,924,856)
Murabaha income on deposits	22	21,737,680	5,027,197
Realized gain on investments	22	18,394,623	21,279,582
Dividend and investment income	22	5,985,424	8,501,476
Investment expenses		(1,161,515)	(934,024)
Finance cost	13	(253,330)	(134,268)
Others		4,076,823	2,609,142
TOTAL OTHER OPERATING EXPENSES, NET		(69,490,241)	(44,325,682)
Total income for the year before surplus attribution and zakat and income tax			
		53,523,860	50,940,900
Surplus attributed to the insurance operations		(2,732,864)	(2,508,583)
Total income for the year before zakat and income tax		50,790,996	48,432,317
Zakat and income tax expense	24	(18,500,000)	(15,000,000)
Total income for the year attributable to the shareholders		32,290,996	33,432,317
Total income for the year attributable to the shareholders and insurance operations			
		35,023,860	35,940,900
Earnings per share			
Weighted average number of outstanding shares	27	45,000,000	45,000,000
Basic and diluted earnings per share	27	0.72	0.74

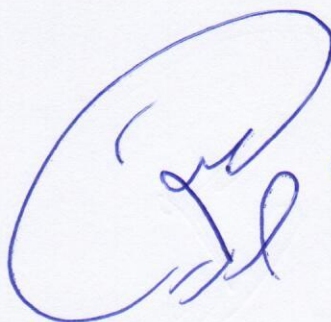





The accompanying notes form an integral part of these financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u> <u>SR</u>	<u>2021</u> <u>SR</u>
Total income for the year attributable to the shareholders and insurance operations	35,023,860	35,940,900
Other comprehensive income		
<i>Items that are classified or will be reclassified to statement of income in subsequent years</i>		
Unrealized fair value changes in available-for-sale investments	(1,147,341)	26,909,812
Realization of gain on sale of available for sale investment	(20,246,501)	(18,536,672)
<i>Items that will not be reclassified to statement of income in subsequent years</i>		
Actuarial gain on end of service indemnities	<u>1,192,290</u>	<u>1,369,069</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,822,308	45,683,109
Total comprehensive income attributable to the insurance operations	<u>(3,925,154)</u>	<u>(3,877,652)</u>
Total comprehensive income for the year attributable to the Shareholders	<u>10,897,154</u>	<u>41,805,457</u>

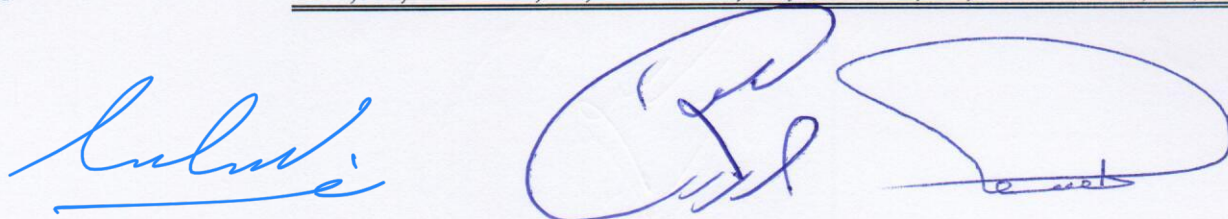




The accompanying notes form an integral part of these financial statements.

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

2022	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve on investments SR	Total SR
Balance at the beginning of the year		400,000,000	36,298,116	100,478,049	17,585,148	554,361,313
Total income for the year attributable to shareholders		-	-	32,290,996	-	32,290,996
Transfer to statutory reserves		-	6,458,199	(6,458,199)	-	-
Unrealized fair value changes in available-for-sale investments	7	-	-	-	(1,147,341)	(1,147,341)
Realization of gain on sale of available for sale investment	7	-	-	-	(20,246,501)	(20,246,501)
Capital increase through bonus shares		50,000,000	(30,000,000)	(20,000,000)	-	-
Balance at the end of the year		450,000,000	12,756,315	106,310,846	(3,808,694)	565,258,467

2021	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve on investments SR	Total SR
Balance at the beginning of the year		400,000,000	29,611,653	73,732,195	9,212,008	512,555,856
Total income for the year attributable to shareholders		-	-	33,432,317	-	33,432,317
Transfer to statutory reserves		-	6,686,463	(6,686,463)	-	-
Unrealized fair value changes in available-for-sale investments	7	-	-	-	26,909,812	26,909,812
Realization of gain on sale of available for sale investment	7	-	-	-	(18,536,672)	(18,536,672)
Balance at the end of the year		400,000,000	36,298,116	100,478,049	17,585,148	554,361,313



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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Note</u>	<u>2022</u> <u>SR</u>	<u>2021</u> <u>SR</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income for the year before surplus attribution and zakat and income tax		53,523,860	50,940,900
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment	12	3,460,316	3,417,793
Depreciation charge of right of use assets	13	2,401,288	1,225,322
Gain on disposal of property and equipment		-	1,135
Allowance for doubtful debts	8	6,936,306	(8,250,069)
Realized gain on investments		(18,394,623)	(21,279,582)
Dividends reinvested	7	-	(14,869)
Finance cost	13	253,330	134,268
Provision for end-of-service indemnities	19	3,435,392	3,640,366
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable		(66,528,642)	35,199,662
Reinsurers' share of unearned premiums		(5,617,056)	(3,894,665)
Reinsurers' share of outstanding claims		(9,495,766)	9,359,182
Reinsurers' share of claims Incurred but not reported		1,326,445	175,377
Deferred policy acquisition costs		17,163	(10,742,873)
Prepaid expenses and other assets		(23,451,402)	(12,949,936)
Accounts payables		18,037,246	12,214,373
Accrued and other liabilities		13,710,457	26,832,377
Reinsurers' balances payable		5,274,296	5,556,366
Unearned premiums		90,978,698	55,350,565
Unearned reinsurance commission		691,437	313,047
Outstanding claims		38,254,135	29,556,799
Claims incurred but not reported		6,191,227	(2,837,400)
Additional premium reserves		(10,110,300)	3,909,139
Other technical reserves		2,109,108	626,709
		<u>113,002,915</u>	<u>178,483,986</u>
End-of-service indemnities paid	19	(2,867,657)	(3,422,021)
Surplus paid to policy holders		-	(814)
Zakat and income tax paid	24	(20,744,095)	(15,017,245)
Net cash generated from operating activities		89,391,163	160,043,906
CASH FLOWS FROM INVESTING ACTIVITIES			
(Additions)/ Disposals in investments, net		(72,308,358)	26,628,142
Additions in long term/fixed income deposits		(355,565,322)	(96,406,348)
Lease payment	13	(3,118,673)	(650,000)
Additions in statutory deposit		(5,000,000)	-
Disposal/(Additions) in property and equipment, net	12	970,207	(5,833,412)
Net cash used in investing activities		(435,022,146)	(76,261,618)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(345,630,983)	83,782,288
Cash and cash equivalents at the beginning of the year		535,498,139	451,715,851
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		189,867,156	535,498,139
Non-Cash Information			
Unrealized (loss)/gain on available for sale investments	7	(1,147,341)	26,909,812
Realization of gain on sale of investment	7	(20,246,501)	(18,536,672)
Surplus transferred to undistributed surplus account (liability)		2,063,980	4,859,659
Surplus transferred to customers' accounts		444,603	6,712,259

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

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al-EtiHAD Cooperative Insurance Company (A Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. M/25 dated 15 Rabea I 1428H corresponding to 3 April 2007. The Company operates under Commercial Registration no. 2051036304 dated 21 Muharram 1429H corresponding to 30 January 2008. The registered address of the Company's head office is as follows:

Al-EtiHAD Cooperative Insurance Company
Head Office
King Fahad Road
P.O. Box 1022
Khobar 31952, Saudi Arabia

The purpose of the Company is to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the “Law”) and its implementing regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, general accident and others.

On July 31, 2003, corresponding to 2 Jumada II 1424 H, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32). On 23 Rabea I 1429H, corresponding to 31 March 2008, the Saudi Arabian Monetary Authority (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

On June 30, 2022, the Company announced the approval of its shareholders during the extraordinary general assembly meeting on the increase of Company’s Share Capital from SR 400 million to SR 450 million through bonus shares issuance. The reason of this increase is to strengthen the Company’s Capital base and to support its future activities. The number of shares granted is one bonus shares for every 8 shares. The increase in Share Capital has been made through capitalization of SR 30 million from the statutory reserve and SR 20 million from the retained earnings. On July 3, 2022 Share Capital has taken place and bonus shares has been distributed to shareholders.

2. BASIS OF PREPARATION

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

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments in held for trading and investments available for sale and defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method. The Company’s statement of financial position is not presented using a current/non-current classification. Except for property and equipment, intangibles, statutory deposit, goodwill, end-of-service indemnities, accrued income on statutory deposit and engineering related unearned premiums, unearned reinsurance commission, deferred policy acquisition cost, outstanding claims, claims incurred but not reported and technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the financial statements accordingly under note 33. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

2. BASIS OF PREPARATION (Continued)

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholder's operations which are presented in note 33 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, other comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company level financial statements in compliance with IFRS, the balances and transactions of the insurance operations are combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized gains or losses, if any, are eliminated in full. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest Riyal, except where otherwise indicated.

The Company follows a fiscal year ending December 31.

There are no seasonal changing that may affect insurance operations of the company.

Critical accounting judgments, estimates and assumptions

The preparation of financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(i) Liability arising from claims under insurance contracts

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

2. BASIS OF PREPARATION (Continued)

Critical accounting judgments, estimates and assumptions (Continued)

(ii) Impairment of premiums and insurers' balances receivable and goodwill

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

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the recoverable amount is less than carrying value, the difference is charged to statement of income as impairment loss. Refer to Note 14 in relation to significant assumptions.

(iii) Impairment of investments

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

Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. These policies have been consistently applied to each of the years presented except for adoption of the new standards, interpretations and amendments to existing standards mentioned below, which are effective from period beginning on or after January 1, 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2022, however, management anticipates that these amendments will not have any material effect on the Company's financial statement.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective

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

<i>Amendments to standard</i>	<i>Description</i>	<i>Effective for annual years beginning on or after the following date</i>
IFRS 16, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IFRS3	Reference to the Conceptual Framework	January 1, 2022
IAS1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application expect for IFRS 17 and IFRS 9.

The Company will adopt 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 direct participation features ("DPF").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Structure and status of the Implementation project

The company has planned its implementation of IFRS 17 standard in line with SAMA's 4-phased implementation approach. Summary of implementation phases are below:

- I. **Gap analysis phase:** Full gap assessment report was completed and submitted to SAMA on March 31,2019 describing all possible gaps observed in applying IFRS 17. This report was followed by quarterly monitoring progress templates ended late 2020.
- II. **Financial and operational impact assessment phase:** This phase aimed to quantify the financial impact of applying IFRS 17 in comparison to IFRS 4. The impact was assessed based on the results of the year ended December 31, 2018. Full assessment reports (Operational impact and financial impact) were completed and submitted to SAMA during the year 2020.
- III. **Design and implementation plan phase:** During this phase, the company has designed the architecture of IFRS 17 implementation requirement and planed the implementation accordingly. A large number of policy and decision papers were issued during this phase to streamline the way forward. The company completed and submitted all deliverables of this phase in April 2021.
- IV. **Implementation and dry runs phase:** During this phase, the company onboarded an IFRS17 accounting software, implemented the accounting decisions and actuarial methodologies to the software, adjusted the technical and financial data needed for the IFRS17 software to populate financial results, and managed to complete 3 dry runs according to SAMA's instructions in this regard as the following:
 - 1st dry run for the year ended December 31,2020. Completed and submitted on November 30,2021 as planned.
 - 2nd dry run for the year ended December 31, 2021. Completed and submitted on May 31, 2022, as planned.
 - 3rd dry run for the six months period ended June 30,2022. Completed and submitted on November 15,2022 as planned.

The company governance structure to ensure proper implementation of the standards is described below:

Governance body	Roles
Board of Directors	Monitor IFRS 17 project status, costs/budgets involved and overall timely completion of IFRS 17 project.
Audit Committee	Oversee the overall progress of IFRS 17 implementation and approve the final deliverables of the 4 phases of implementation. Escalate major issues to Board of directors.
Steering Committee	Supervise the progress of IFRS 17 implementation and approve the measures or actions suggested by the working group. (Report to Audit Committee)
IFRS 17 working group	Monitor day-to-day progress of IFRS 17 implementation against targeted timelines, take remedial actions where required and recommend tasks or measures requiring approval of Steering Committee. This working group includes personnel from finance, actuarial, underwriting, IT and reinsurance department (Report to Steering Committee)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Key areas remaining to be completed:

The company has acquired an IFRS17 financial reporting system from a reputable worldwide accountancy and advisory firm. The integration of this reporting system to the core system is still not finalized yet. The company is planning to finalize this integration before Q1 2023 reporting. However, this integration should not affect the ability of the company to produce financial statements under IFRS 17.

1) Significant Judgements and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e. Jan 01, 2023:

a) Contracts within/outside the scope of IFRS 17

A detailed contract review exercise was conducted to the Company's contracts to distinct between Insurance risks falling withing IFRS17 scope and others falling outside scope, and an assessment of significance of insurance risk. Types of contracts written by company falling within IFRS 17 scope are sub-divided into:

- i. Insurance contracts issued by the company.
- ii. Reinsurance contracts held.

b) Combination/Unbundling of Contracts

The management analyzed the insurance contracts issued / held by the company which are required to be separated under IFRS 17. The company does not have any investment component (other than the 10% cooperative surplus arrangement) or embedded derivative attached to the insurance contracts it issues.

However, the company provides certain non-insurance services attached to the main insurance contracts such as roadside assistance and replacement car. As the risks and cashflows associated with above non-insurance services are highly interrelated with main insurance contracts and given the immateriality of those services, the company does not intend to separate those components from main insurance contracts.

c) Level of Aggregation

The IFRS 17 portfolios design came in line with the current allocation of Lines of businesses as it reflects the way contracts under each one of these portfolios are being managed (managed together) and fulfils the requirement of the standard for level of aggregation (similar risks). Below are the portfolios designed by the company.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Direct Portfolios

<u>Portfolio</u>	<u>Description</u>
Medical Corporate	Medical insurance for corporate entities
Medical SME	Medical insurance for small businesses
Medical others	Visitors' Medical insurance, Tourist and Unique Iqama visas
Motor comprehensive	Motor vehicles, including both own damage (private and commercial) and third-party liability
Motor TPL	Motor third-party liability
Property	Fire, lightning, allied perils and burglary. Business interruption/consequential loss of profits, sabotage and terrorism
Engineering	Construction, plant and machinery
General Accident	Various types of liability indemnity, medical malpractice, financial loss benefits and other risks
Marine	Marine cargo and hull

Reinsurance Portfolios

<u>Portfolio</u>	<u>Description</u>
Medical - Non-Proportional	Excess of loss reinsurance cover for underlying medical insurance products.
Medical -Proportional	Proportional cover for underlying medical insurance products.
Motor - Proportional	Proportional reinsurance cover for underlying motor comprehensive and motor third party liability contracts.
Motor Non-Proportional	Excess of loss reinsurance cover for underlying motor comprehensive and motor third party liability contracts.
Property - Proportional	Proportional cover for underlying property contracts.
Property & Engineering - Non-Proportional	Excess of loss reinsurance cover for underlying property and engineering contracts.
Engineering - Proportional	Proportional cover for underlying engineering contracts.
Marine - Non-Proportional	Excess of loss reinsurance cover for underlying marine contracts.
Marine - Proportional	Proportional cover for underlying marine contracts.
GA - Proportional	Proportional cover for underlying liability contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Each portfolio (both Direct and Reinsurance) is to be allocated to 3 groups of contracts shown below and furtherly allocated to Cohorts based on decision made for cohort length to be annual according to the underwriting year:

- i. Onerous contracts group
- ii. No substantial possibility to become Onerous group.
- iii. Other's group

d) Measurement – Overview

Most of the insurance portfolios of the company are of a tenor of one year or less, hence they are eligible for Premium Allocation Approach (PAA). However, certain products in the Engineering and General Accidents direct portfolios together with Risk attaching reinsurance contracts held have coverage periods of greater than one year. For those contracts, the management was able to meet the eligibility criteria for applying PAA approach by estimating no material difference in Liability under both measurement methods.

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

PAA eligibility assessment approach taken by the company is summarized in the below key steps:

- The volume of projected premium over the next year is linked to the budget driven from the company's business plan whereas the claims were driven through a combination of historical data and actuarial assumptions and estimations.
- For those groups require PAA eligibility testing (above 12 months coverage period), an upper bound of the potential deviation between the Premium allocation approach (PAA) and General Measurement Model (GMM) for premium written over the coming year is determined. Where the potential deviation is below the relative materiality threshold, the associated group is deemed eligible for the PAA
- For groups that have failed the high-level PAA eligibility test (or are ineligible for the Upper-Bound test due to not being generic enough and containing uncertainty factors), a best estimate of the potential deviation between the Premium allocation approach (PAA) and General Measurement Model (GMM) is determined for a hypothetical representative contract. Where the potential deviation is below the relative materiality threshold, the associated group is deemed eligible for the PAA.
- A relative materiality level of 5% was used to assess significance of differences between GMM and PAA at a group level.
- For those groups who failed the individual deviation criteria above, the aggregate deviation of all of them is being assessed using financial materiality threshold (5% of profit before zakat and tax or 0.5% of GWP). If the aggregate differences are below the threshold, PAA approach can be used.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

ii. Discounting methodology

The company is using EIOPA yield curves with an adjustment for country risk premiums.

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

For Motor and Medical, the company is using Mack method for paid claims with a selected confidence level of 75th percentile. For other lines due to scarcity of data, the company is relying on Solvency II factors scaled to the 75th percentile.

iv. CSM release pattern

GMM approach was not used for any group, hence, no Contractual service Margin (CSM) release pattern has been treated. However, below is a summary of company's policy in treating CSM:

- Determining CSM at initial recognition, at the required level of aggregation
- Calculating and amortizing CSM, recognizing a loss and accreting interest on the CSM balance, at the required level of aggregation.
- Recognizing favorable changes in estimates in profit and loss statement (P&L) that arise after losses were previously recognized in profit and loss statement (P&L) to the extent that these reverse losses that relate to coverage and other services in the future.

v. Onerosity determination

Assessment is done at inception based on 5 years average combined loss ratio adjusted for risk loadings and forward-looking adjustment. The derived adjusted combined ratio is used to assign profitability buckets to groups according to the following arrangements:

- Adjusted Combined loss ratio is above 100%, the group is assigned to be "Onerous group".
- Adjusted Combined loss ratio is below 30%, the group is assigned to be "No substantial possibility to become Onerous group".
- Adjusted Combined loss ratio is from 30% to 100%, the group is assigned to be "Other's group".

vi. Provision for Doubtful Debts (refer to IFRS9-type methodology)

Expected credit loss (ECL) for insurance receivables is being calculated based on IFRS 9 methodology and reflected on liability of remaining coverage – Direct portfolios. "Simplified approach" is applied in calculating ECL for insurance receivables which is based on staging, point-in-time probability of default (PiT PD), and Loss given defaults (LGD).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

vii. Reinsurer Default provision

Expected credit loss (ECL) for Reinsurance receivables is calculated based on IFRS 9 methodology and reflected on liability of remaining coverage – RI portfolios. “Simplified approach” is applied in calculating ECL for Reinsurance receivables.

viii. VAT treatment

- VAT liability is treated as normal tax liability to ZATCA.
- VAT receivables are treated along with insurance receivables and fulfillment cash flows.

f) Accounting Policy Choices

- i. Length of Cohorts
The company has elected to use annual cohort length.
- ii. Use of OCI for IFIE (insurance finance income or expenses)
The company is not using OCI option.
- iii. Unwinding of Discount on Risk Adjustment (RA)
The company is implicitly performing the unwinding of discount on RA.
- iv. Expense Attribution
 - Acquisition costs are attributed to Liability of remaining coverage (LRC)
 - Attributable expenses are treated as part of Liability of incurred claims (LIC)
 - Non attributable general and administrative expenses (G&A) are left with no attribution in separate line item in profit and loss statement.
- v. Deferral of Acquisition Costs
The company has chosen to defer Acquisition costs which are linked to the coverage of the contracts.
- vi. Policyholder Surplus accounting
Policyholders’ surplus is considered as part of liability of Incurred claims (LIC). Period’s movement is considered under insurance service expenses.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

g) Presentation and Disclosure

- i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements are shown in the below schedule:

Statement of Financial Position

IFRS 4 classification	IFRS 17 classification
Assets	
<ul style="list-style-type: none"> - Premiums and reinsurance receivable - Reinsurers' share of unearned premiums - Reinsurers' share of outstanding claims - Reinsurers' share of claims incurred but not reported. - Deferred policy acquisition costs 	<ul style="list-style-type: none"> - Insurance Contract Assets - Re-insurance Contract Assets
Liabilities	
<ul style="list-style-type: none"> - Accounts payable - Accrued and other liabilities (Insurance related portion) - Reinsurers' payable balances - Unearned premiums - Unearned reinsurance commission - Outstanding claims - Claims incurred but not reported - Additional premium reserves - Other technical reserves - Accumulated surplus payable 	<ul style="list-style-type: none"> - Insurance Contract Liabilities - Reinsurance Contract Liabilities

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Profit and Loss Statement

IFRS 4 classification

IFRS 17 classification

Gross written premium (GWP)	XX	Insurance revenue	XX
Premiums ceded to reinsurers	(XX)	Insurance service expenses	(XX)
Net Premium Written	XX	Insurance service result before reinsurance contracts held	XX
Gross claims, benefits and expenses paid	(XX)	Allocation of reinsurance premiums	(XX)
Claims and expenses ceded to reinsurers	XX	Amounts recoverable from reinsurers	XX
Acquisition costs amortization	(XX)	Net income/ (expenses) from reinsurance contracts held	XX
Change in insurance contract liabilities	(XX)	Insurance service result	XX
Total Costs	(XX)	Insurance finance income/ (expense)	(XX)
PROFIT BEFORE TAX	XX	Reinsurance finance income/ (expenses)	XX
		Insurance Finance result	XX
		PROFIT BEFORE TAX	XX

- ii. New disclosures will be added to the financial statements in relation to the application of IFRS 17 and will include the below disclosures. No GMM (General Measurement Model) or VFA (Variable Fee Approach) related disclosures as the company applies only PAA (Premium Allocation Approach) in all of its portfolios:
- Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance Contracts and for Reinsurance Held.
 - Risk Framework: state the risks included and the quantification approach for each.
 - Sensitivity analysis: approach and variables used.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

- h) Transition
- i. Choice of Method
The company choice is to apply Modified retrospective approach in transitioning to IFRS 17.
- ii. Length of Comparatives

The company will adjust transitional impact to the opening retained earnings balance of the comparative period i.e., January 1st, 2022. The comparative period 2022 will be restated to reflect IFRS 17 transitional impact.

2) Transition Impact

3a) Impact on Equity

The Company initially estimates that, on adoption of IFRS 17, the overall transitional impact (before tax) could be a reduction in the Company's total equity of (SAR 29,359,493) as at January 1, 2022. The impact on equity as of January 1, 2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31,2023.

<u>Drivers of Changes in Equity</u>	<u>Impact on equity on transition to IFRS 17 on Jan 1, 2022</u>
Additional Loss component	(28,940,529)
Release of Premium deficiency reserve (replaced with loss component)	14,186,325
Additional Risk Adjustment (Direct portfolios)	(22,539,433)
Discounting impact on direct portfolios	6,959,232
Additional Risk Adjustment (RI Portfolios)	2,954,698
Discounting impact on RI portfolios	(1,979,786)
Total Impact	(29,359,493)

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

3b) Impact on Liabilities and Assets

<u>Drivers of Changes in Liabilities & Assets</u>	<u>Impact on transition to IFRS 17 on Jan 1, 2022</u>
Liabilities	
Loss component (Direct Portfolios)	28,940,529
Release of Premium deficiency reserve (replaced with loss component)	(14,186,325)
Risk Adjustment (Direct portfolios)	22,539,433
Discounting impact (Direct portfolios)	(6,959,232)
Impact on Liability of remaining Coverage from moving certain IFRS 4 assets	(218,897,944)
Unearned RI commission	(4,843,821)
RI payable	(12,946,234)
<i>Total Impact on Liabilities</i>	<i>(206,353,594)</i>
Assets	
Premium receivables	(161,018,731)
Deferred policy acquisition costs	(57,879,213)
Additional Risk Adjustment (RI Portfolios)	2,954,698
Discounting impact on RI portfolios	(1,979,786)
Impact on Assets of remaining Coverage from moving certain IFRS 4 liabilities	(17,790,055)
<i>Total Impact on Assets</i>	<i>(235,713,087)</i>

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

3c) Sources of Uncertainties

- Data reconciliations,
- System implementation and integration,
- Simplifications adopted to arrive at the above estimates.

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.

The Company is expected to provide the following policies;

1. Financial assets – Classification

The business model of the company reflects how it manages its financial assets to generate cash flows. Business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The company assesses business model on an instrument-by-instrument basis.

The following table summarizes the key features of each type of business model and the accordingly chosen measurement category:

Business model	Key features of the business model	Measurement category
Hold to collect	<ul style="list-style-type: none"> • The objective of the business model is to hold the financial assets to collect contractual cash flows • Sales are incidental to the objectives of the model. 	Amortized cost (subject to meeting the solely payments of principal and interest criterion - SPPI)
Hold to collect and sell	<ul style="list-style-type: none"> • Both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model • Typically, more sales (in frequency and value) than held-to-collect business model 	Fair value through other comprehensive income - FVOCI
FVTPL business model	<ul style="list-style-type: none"> • Business model is neither hold to collect nor hold-to-collect and sell • Assets are held for trading • Collection of contractual cash flows is incidental to the objective of the model • Managing assets on a fair value basis 	Fair Value through profit and loss - FVTPL

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

The following table summarizes the change in classification from existing classification under IAS 39 to IFRS 9.

#	Description	Classification Under IAS 39	Classification Under IFRS 9
Financial Assets			
1.	Cash and Cash Equivalent (Bank Deposit)	Amortized Cost	Amortized Cost
2.	Short term deposits (maturity below 3 months)	Amortized Cost	Amortized Cost
3.	Long-term deposit	Amortized Cost	Amortized Cost
4.	Held to Maturity-Sukuk	HTM	Amortized Cost
5.	Held to Maturity-Sukuk (Failing SPPI test)	HTM	FVTPL
6.	Investment funds - Sukuk	AFS	FVTPL
7.	Statutory Deposit	Amortized Cost	Amortized Cost
8.	Available for sale – Equity Security	AFS	FVTPL/FVOCI
9.	Other Investment at amortized cost	Amortized Cost	FVTPL
10.	Money Market Fund	Cash & Cash Equivalent	FVTPL
Non-Financial assets			
11.	Insurance Receivable	Out of IFRS9 scope - results of evaluating these assets under IFRS 9 methodology will be used for IFRS 17 insurance contracts calculations.	
12.	Re-Insurance Receivable		
13.	Re-Insurance Recoverable (Outstanding claims and IBNR)		

2. Financial assets – Impairment

The company adopts the “General approach (Three-stage expected credit loss model)” to calculate the expected credit loss (ECL) for the above-mentioned financial assets and “Simplified approach” for non-financial assets like Insurance receivable, reinsurance receivable and recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

The ECL amount is computed based on unbiased and probability-weighted estimate of credit losses (i.e., present value of all cash shortfalls) over the expected life of the financial asset. Credit losses under the general approach shall be computed from individual risk parameters i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The objective of calculating impairment through the ECL model is to recognize 12 month expected credit losses for financial instruments which exhibit stable credit quality (Stage 1) and lifetime expected credit losses for financial instruments for which there has been a significant change in credit quality since initial recognition (Stage 2 and Stage 3).

3. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are 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 other comprehensive income (OCI);
- The remaining amount of the change in the fair value will be presented in the statement of income.

4. Transition

The company has elected to use “modified retrospective approach” as a transition approach for IFRS 9. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application are expected to be recognized in the retained earnings.

Estimated Change in the Company’s Total Equity due to initial application of IFRS 9

The Company has assessed the estimated impact that the transition to IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the expected total transitional adjustment (after tax) to total equity balance is estimated to be a decrease of SAR (75,830) at January 01, 2022. The impact on equity as of January 01,2023 is currently being estimated and shall be disclosed in the financial reporting for the period January 01,2023 to March 31,2023.

<u>Adjustments due to adoption of IFRS 9</u>	<u>Impact on Equity at on Jan 1, 2022</u>
<i>Impact of applying ECL model</i>	(75,830)
<i>Total Impact</i>	(75,830)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New standards ,amendments and revised IFRS issued but not yet effective (Continued)

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes (before tax) is a reduction in the Company's equity of SAR (29,435,323) as at January 01, 2022. The impact on equity and retained earnings as of January 01, 2023, is currently being estimated and shall be disclosed in the financial reporting for the period January 01, 2023 to March 31, 2023.

<u>Transition To</u>	<u>Change in equity as at January 01, 2022</u>
IFRS17	(29,359,493)
IFRS9	(75,830)
Total Impact	(29,435,323)

3.3 Summary of Significant Accounting Policies

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

Product classification

Insurance contracts

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

Investment contracts

Investment contracts are those contracts that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually.

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

Property and equipment

Property and equipment are initially recorded at cost and are carried subsequently at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	10
Furniture, fixtures and office equipment	4 - 10

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned. The amortization is recorded in the "Policy Acquisition Cost" in the statement of income.

Financial instruments

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

The Company's financial assets include cash and cash equivalents, investments held for trading, investments available for sale, premiums and insurance balances receivable, reinsurer's share of outstanding claims, amounts due from related parties, amounts due from shareholders and other assets.

Its financial liabilities consist of gross outstanding claims, reinsurance balances payable, accounts payable, amounts due to related parties, amounts due to shareholder's operations, statutory deposit commission income payable and other liabilities.

Intangible assets

Intangible assets are initially recorded at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset comprises of software and related implementation costs. All these costs relating to the software package are deferred and amortized using the straight-line method over a period of five years. The amortization expense on intangible assets is recognised in the statement of income.

Fair values measurement

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

In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

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

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

- Level 1 - quoted 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 market place.

Investments

All investments, excluding those held for trading, are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the Investments.

Investments held for trading

Investments which are bought with the intention of resale in the short term are classified as trading investments. Such investments are measured and carried in the financial position at fair value. Unrealised gains and losses are included in the statement of income for the financial period.

Investments available for sale

These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of comprehensive income. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the statement of income.

Determination of fair values of investments

For investment traded in active market, fair value is determined by reference to quoted market bid prices. For unquoted equity investments, fair value is determined by reference to the market value of similar investments or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments. Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

De-recognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

Financial liabilities

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

Impairment of financial assets

Financial assets carried at amortized cost

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

Available-for-sale investments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from shareholders' equity and recognized in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at cost

Impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment of non-financial assets

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

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

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

Impairment losses are recognised in the statement of income.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Company performs its annual impairment test of goodwill as at 31 December.

The recoverable amount of the non-life insurance business CGU and investment management services business CGU have been determined based on a value in use calculation. The calculation requires the Company to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

Premiums receivable and reinsurance receivable

Premiums receivable and reinsurance receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance 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 and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

Accounts payable and accruals

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

Revenue recognition

Premium and reinsurance commissions

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

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

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

Interest income

Interest income from time deposits is recognized on an accrual basis.

Dividend income

Dividend income is recognised when the right to receive a dividend is established.

Claims

Gross claims consist of benefits and claims paid to policyholders and third parties, and related loss adjustments expenses, net of salvage and other recoveries and are charged to the statement of income as incurred changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Claims (Continued)

Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income of for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

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 businesses. 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 the reinsurance contract.

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.

Premium and claims on assumed reinsurance are recognised as revenue 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 estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Reinsurance (Continued)

Premium and claims are presented on a gross basis.

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

Deferred policy acquisition costs ("DAC")

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition DAC is amortised over the period in which the related revenue is earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of income.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC is also considered in the liability adequacy test for each reporting period. DAC is derecognised when the related contracts are either settled or disposed of.

Salvage and subrogation reimbursement

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

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

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

Unearned reinsurance commission income

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable. Amortisation is recorded in the statement of income.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Insurance contract liabilities

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

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency.

End-of-service indemnities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service indemnities, which qualify as defined benefit plans. Accruals to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the benefits. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the effect of the changes to the asset ceiling, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in statement of comprehensive income in the period in which they occur. Remeasurement recognised in statement of comprehensive income is reflected as a reserve under net surplus from insurance operations after shareholders' appropriation and will not be reclassified to statement of income. Past service cost is recognised in statement of income in the period of a plan amendment.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals ("SR") at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in statements of income and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at banks and time deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulation and are charged to the statement of changes in shareholders' equity. The zakat charge is computed on the Saudi shareholder's share of the zakat base. Income tax is computed on the foreign shareholder's share of adjusted net income. Additional amounts, if any, that may become due on finalization of an assessment are recorded in the year in which the assessment is finalised.

Operating leases

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the operating lease.

Offsetting financial assets and liabilities

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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income and statement of other comprehensive income unless required or permitted by any accounting standard or interpretation.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenue and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Medical insurance including corporate, individual and group business insurance.
- Property insurance, which covers fire and allied perils, property all risks.
- Engineering, which provides coverage against the Contractors' All Risks (CAR), Erection All Risks (EAR), Machinery All Risks (MAR), etc.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- General accident which provides coverage against the loss of money, personal accident, workmen's compensation, travel, general third-party liability and professional indemnity and
- Others which mainly includes the marine cargo and marine hull insurance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Segmental reporting (Continued)

Segments performance is evaluated based on profit or loss which in certain aspects is measured differently from profit and loss in the financial statements.

Other classes, which covers any other classes of insurance not included above. Operating segments do not include shareholders' operation of the Company.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

Dividend distribution

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments and estimates 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Initial recognition of investments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Impairment of equity investments

The Company treats equity financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. A period of six months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Estimation and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

Fair value measurement of financial instruments

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 discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Valuation of insurance contract liabilities

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS. (Continued)

Estimation and assumptions (Continued)

Valuation of insurance contract liabilities (Continued)

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is the Company's past claims settlement experience can be used to project future claims settlement and hence ultimate claims costs. As such, these methods extrapolate the settlement of paid and incurred losses, average costs per claim and claim numbers based on the observed settlement of earlier years and expected loss ratios. Historical claims settlement is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future settlement.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims settlement data on which the projections are based. Additional qualitative judgment 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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. The Company classifies balances as "past due but not impaired (note 8) on the basis of the guidelines given by SAMA.

Deferred policy acquisition costs ("DAC")

Certain acquisition costs related to the sale of policies are recorded as DAC and are amortized in the statement of income over the related 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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Estimation and assumptions (Continued)

Useful life of property and equipment

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

Goodwill impairment testing

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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5. CASH AND CASH EQUIVALENTS

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

	Insurance operations		Shareholders' operations	
	2022	2021	2022	2021
	SR	SR	SR	SR
Cash at banks				
- Current accounts	45,453,653	181,017,956	10,764,729	8,023,814
- Money market fund	15,737,022	206,400,984	-	140,055,385
- Short term deposits	117,911,752	-	-	-
	179,102,427	387,418,940	10,764,729	148,079,199

Cash at banks and units in money market funds are placed with counterparties that have high credit reliability. Short-term deposits are placed with local and foreign banks with an original maturity of less than three months from the date of placement (average short deposit commission income rate of 2022: 1% to 4.1%) per annum.

6. LONG TERM/FIXED INCOME DEPOSITS

Time deposits are placed with local banks with an original maturity of more than three months from the date of placement. These deposits earn commission income at an average rate of 0.85% to 5.58% (2021: 0.62% to 2.3%) per annum.

7. INVESTMENTS

Investments are classified as follows:

	Insurance operations		Shareholders' operations	
	2022	2021	2022	2021
	SR	SR	SR	SR
Available-for-sale investments (A)	-	-	165,817,891	187,475,702
Held to maturity (B)	44,800,000	-	68,437,500	19,687,500
Other investments held at amortized cost (C)	-	-	23,249,452	25,832,502
	44,800,000	-	257,504,843	232,995,704

A. Investments available-for-sale:

Category wise analysis is as follows:

Shareholders' Operations

	Domestic		International		Total	
	2022	2021	2022	2021	2022	2021
	SR	SR	SR	SR	SR	SR
Equity securities	88,481,789	72,654,792	19,370,233	20,881,742	107,852,022	93,536,534
Mutual funds	57,965,869	93,939,168	-	-	57,965,869	93,939,168
Investments available for sale	146,447,658	166,593,960	19,370,233	20,881,742	165,817,891	187,475,702

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7. INVESTMENTS (Continued)

A. Investments available for sale (Continued):

Movement in investments available for sale is as follows:

Shareholders' Operations

	<i>Quoted Securities</i>	<i>Unquoted</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
At January 1, 2021	118,295,888	64,824,483	183,120,371
Acquisitions during the year	52,594,985	-	52,594,985
Disposals during the year	(64,226,718)	(14,948,912)	(79,175,630)
Realization losses on disposal-of-available for sale investments	(14,712,694)	(3,823,978)	(18,536,672)
Unrealized fair value changes in AFS	18,035,455	8,874,357	26,909,812
Realized gains	14,712,694	7,835,273	22,547,967
Dividends re-invested	-	14,869	14,869
	124,699,610	62,776,092	187,475,702
At December 31, 2021			
Acquisitions during the year	91,940,981	-	91,940,981
Disposals during the year	(77,284,770)	(35,897,853)	(113,182,623)
Realization of losses on disposal of available-for-sale investments	(16,827,606)	(3,418,895)	(20,246,501)
Unrealized fair value changes in AFS	(331,491)	(815,850)	(1,147,341)
Realized gains	16,885,375	4,092,298	20,977,673
At December 31, 2022	139,082,099	26,735,792	165,817,891

Management has performed a review of the investments available for sale to assess whether impairment has occurred in the value of these investments. Based on specific information, management is of the view that no further impairment is required in respect of the investments available for sale other than disclosed above.

B. Investments held to maturity:

Insurance Operations

	Domestic		International		Total	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Sukuks	44,800,000	-	-	-	44,800,000	-
Investments held to Maturity	44,800,000	-	-	-	44,800,000	-

Shareholders' Operations

	Domestic		International		Total	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Sukuks	56,062,500	12,187,500	12,375,000	7,500,000	68,437,500	19,687,500
Investments held to Maturity	56,062,500	12,187,500	12,375,000	7,500,000	68,437,500	19,687,500

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7. INVESTMENTS (Continued)

B. Investments held to maturity (continue):

Insurance Operations

Movements in investments held to maturity is as follows:

	<i>Quoted securities</i>	<i>Unquoted securities</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
At January 1, 2022	-	-	-
Acquisitions during the year	44,800,000	-	44,800,000
At December 31, 2022	44,800,000	-	44,800,000

Shareholders' Operations

Movements in investments held to maturity is as follows:

	<i>Quoted securities</i>	<i>Unquoted securities</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
At January 1, 2021	19,687,500	-	19,687,500
Acquisitions during the year	-	-	-
At December 31, 2021	19,687,500	-	19,687,500

	<i>Quoted securities</i>	<i>Unquoted securities</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
At January 1, 2022	19,687,500	-	19,687,500
Acquisitions during the year	56,250,000	-	56,250,000
Disposals during the year	(7,500,000)	-	(7,500,000)
At December 31, 2022	68,437,500	-	68,437,500

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C. Other investments at amortized cost

	2022	2021
	SR	SR
		<i>(Note 33)</i>
At January 1, 2021	25,832,502	27,148,384
Disposals during the year	-	(47,497)
Impairment	(2,583,050)	(1,268,385)
As at December 31, 2022	23,249,452	25,832,502

The Company had “Other investment held at amortized cost” amounting to SR 95.4 million with a CMA licensed financial institution registered in KSA with fixed maturity term of 1 year with option to further renew. Till year 2019, the management of the Company used to regularly renew its deposit maturity with additional term of 1 year. During 2020, on maturity of the terms of the respective investments, the Company decided not to renew and to liquidate the investments, however it was informed by the respective CMA registered financial institution that the underlying investment made by the financial institution could not be liquidate currently as per the maturity terms of the contract entered. As on December 31, 2022, the management of the Company has performed a detailed assessment of such investments which resulted in the impairment of the underlying investment held in the amount of SR 2.6 million (2021:SR 1.3 million).

During 2022, the company filed a dispute case against the financial institution in the Committee for Resolution of Securities Disputes and received the decision on August 2, 2022, rejecting the dispute due to lack of Jurisdiction. On December 27, 2022, the company has filed another lawsuit against the financial institution, its Board of Directors and responsible management for the same ongoing dispute. Further, subsequent developments will be disclosed in due course.

8. PREMIUMS AND REINSURANCE RECEIVABLE, NET

	2022	2021
	SR	SR
Policyholders	283,963,717	268,674,104
Brokers and agents	24,420,449	24,692,109
Receivables from reinsurance companies	8,041,929	6,824,553
Premiums and reinsurance receivables from related parties (note 20)	31,642	25,268
Premiums and reinsurers’ receivable – gross	316,457,737	300,216,034
Less: allowance for doubtful debts, net	(93,202,604)	(136,108,634)
Premiums and reinsurers’ receivable – net	223,255,133	164,107,400

The movements in the allowance for doubtful debts are as follows:

	2022	2021
	SR	SR
As at January 1	136,108,634	144,358,703
Allowance for / (reversal of allowance) doubtful debts for the year	6,936,306	(8,250,069)
Receivables Write off	(49,842,336)	-
As at December 31	93,202,604	136,108,634

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8. PREMIUMS AND REINSURANCE RECEIVABLE, NET(Continued)

The aging analysis of unimpaired premiums and insurance balances receivable at the year-end is set out below:

2022	Neither past due nor impaired	Past due net of impaired			
Amounts in SR	Less than 90 days	91 to 180 days	181 to 360 days	More than 360 days	Total
Premiums receivable	124,058,781	40,050,116	19,343,735	14,731,932	198,184,564
Brokers and agents	18,690,574	1,912,709	74,539	72,552	20,750,374
Receivables from reinsurance companies	3,306,843	159,773	72,255	749,682	4,288,553
Related parties	31,642	-	-	-	31,642
December 31, 2022	146,087,840	42,122,598	19,490,529	15,554,166	223,255,133

2021	Neither past due nor impaired	Past due net of impaired			
Amounts in SR	Less than 90 days	91 to 180 days	181 to 360 days	More than 360 days	Total
Premiums receivable	97,205,112	21,450,795	18,823,545	14,248,829	151,728,281
Brokers and agents	8,047,300	232,805	404,354	580,724	9,265,183
Receivables from reinsurance companies	2,095,174	202,910	45,752	744,832	3,088,668
Related parties	25,268	-	-	-	25,268
December 31, 2021	107,372,854	21,886,510	19,273,651	15,574,385	164,107,400

Premiums and reinsurance balances receivables comprise a large number of customers and related parties mainly within the Kingdom of Saudi Arabia. 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. No individual, company or broker, accounts for more than 14.5% of the gross premium's receivable as at December 31, 2022 (2021: 9%). In addition, the five largest receivables account for 32.4% of the gross premium's receivable as at December 31, 2022 (2021: 28%).

The management of the company has studied the collection status for all due receivables and found out that there is no reasonable expectation, after applying all means to collect these receivables amounted SAR 49.8 million which were aged between the year 2008 and 2017. Based on that, company's management has decided to write-off these receivables from the company's statement of financial position knowing that full amount of these receivables is fully provisioned in the allowance for doubtful debts and that there will be no significant effect on the statement of profit and loss because of this write-off. However, the follow-up process of collecting these debts written off is still going on, and if any amounts are collected, they will be recognized in other revenues in the statement of comprehensive income.

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9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	<i>2022</i> <i>SR</i>	<i>2021</i> <i>SR</i>
Gross outstanding claims	324,337,410	273,901,048
Less: Realizable value of salvage and subrogation	(43,386,350)	(31,204,123)
	280,951,060	242,696,925
Claims incurred but not reported	100,779,956	94,588,729
Additional premium reserve	4,738,546	14,848,846
Other technical reserve	10,497,590	8,388,482
	396,967,152	360,522,982
Less:		
- Reinsurers' share of outstanding claims	(87,337,653)	(77,841,887)
- Reinsurers' share of claims incurred but not reported	(14,592,865)	(15,919,310)
	(101,930,518)	(93,761,197)
Net outstanding claims and reserves	295,036,634	266,761,785

9.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Year ended December 31, 2022		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	483,495,311	(23,550,198)	459,945,113
Premium written during the year	1,176,700,533	(88,130,430)	1,088,570,103
Premium earned during the year	(1,085,721,835)	82,513,374	(1,003,208,461)
Balance as at the end of the year	574,474,009	(29,167,254)	545,306,755

	Year-ended December 31, 2021		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	428,144,746	(19,655,533)	408,489,213
Premium written during the year	865,477,511	(73,135,541)	792,341,970
Premium earned during the year	(810,126,946)	69,240,876	(740,886,070)
Balance as at the end of the year	483,495,311	(23,550,198)	459,945,113

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9. TECHNICAL RESERVES (Continued)

9.3 Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2022	2021
	SR	SR
Balance as at the beginning of the year	34,263,147	23,520,274
Incurring during the year	74,168,161	65,819,608
Amortized during the year	(74,185,324)	(55,076,735)
Balance as at the end of the year	<u>34,245,984</u>	<u>34,263,147</u>

10. CLAIMS DEVELOPMENT

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The cumulative claims estimate and cumulative payments are in Saudi Riyal.

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision's adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

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10. CLAIMS DEVELOPMENT (Continued)

a) Claims development table gross of reinsurance:

2022	<i>Before 2018</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
<i>Accident year or Underwriting year</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	-	490,980,616	723,510,782	572,749,025	630,473,114	880,638,165	880,638,165
- One year later	-	539,207,353	678,533,772	549,825,819	585,241,298	-	585,241,298
- Two years later	-	526,731,720	663,805,707	520,617,056	-	-	520,617,056
- Three years later	-	530,451,444	674,977,055	-	-	-	674,977,055
- Four years later	-	524,305,921	-	-	-	-	524,305,921
Reserve in respect of prior years	35,999,741	-	-	-	-	-	35,999,741
Current estimate of cumulative claims	35,999,741	524,305,921	674,977,055	520,617,056	585,241,298	880,638,165	3,221,779,236
Cumulative payments to date	-	(514,329,074)	(651,584,932)	(497,635,185)	(545,711,899)	(630,787,130)	(2,840,048,220)
Liability recognised in the statement of financial position	35,999,741	9,976,847	23,392,123	22,981,871	39,529,399	249,851,035	381,731,016
Outstanding claims and IBNR							381,731,016

2021	<i>Before 2017</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
<i>Accident year or Underwriting year</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	-	493,141,139	490,980,616	723,510,782	572,749,025	630,473,114	630,473,114
- One year later	-	528,540,538	539,207,353	678,533,772	549,825,819	-	549,825,819
- Two years later	-	494,464,575	526,731,720	663,805,707	-	-	663,805,707
- Three years later	-	496,838,341	530,451,444	-	-	-	530,451,444
- Four years later	-	497,870,226	-	-	-	-	497,870,226
Reserve in respect of prior years	30,167,250	-	-	-	-	-	30,167,250
Current estimate of cumulative claims	30,167,250	497,870,226	530,451,444	663,805,707	549,825,819	630,473,114	2,902,593,560
Cumulative payments to date	-	(482,509,559)	(511,943,672)	(646,456,085)	(491,762,619)	(432,635,971)	(2,565,307,906)
Liability recognised in the statement of financial position	30,167,250	15,360,667	18,507,772	17,349,622	58,063,200	197,837,143	337,285,654
Outstanding claims and IBNR							337,285,654

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10. CLAIMS DEVELOPMENT (Continued)

b) Claims development table net of reinsurance:

2022	<i>Before 2018</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>Total</i>
<i>Accident year or Underwriting year</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Estimate of ultimate claims cost net of reinsurance:							
- At the end of the accident year	-	492,777,304	698,293,633	516,715,588	580,609,259	816,236,918	816,236,918
- One year later	-	476,021,069	651,408,817	499,457,724	546,141,028	-	546,141,028
- Two years later	-	474,474,756	650,497,528	493,809,595	-	-	493,809,595
- Three years later	-	478,626,255	654,072,294	-	-	-	654,072,294
- Four years later	-	476,818,448	-	-	-	-	476,818,448
Reserve in respect of prior years	23,064,089	-	-	-	-	-	23,064,089
Current estimate of cumulative claims	23,064,089	476,818,448	654,072,294	493,809,595	546,141,028	816,236,918	3,010,142,372
Cumulative payments to date	-	(468,514,043)	(640,460,568)	(481,553,533)	(528,633,503)	(611,180,227)	(2,730,341,874)
Liability recognised in the statement of financial position	23,064,089	8,304,405	13,611,726	12,256,062	17,507,525	205,056,691	279,800,498
Outstanding claims and IBNR							279,800,498

2021	<i>Before 2017</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>Total</i>
<i>Accident year or Underwriting year</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Estimate of ultimate claims cost net of reinsurance:							
- At the end of the accident year	-	391,264,753	492,777,304	698,293,633	516,715,588	580,609,259	580,609,259
- One year later	-	454,094,648	476,021,069	651,408,818	499,457,724	-	499,457,724
- Two years later	-	427,903,943	474,474,756	650,497,528	-	-	650,497,528
- Three years later	-	428,544,066	478,626,255	-	-	-	478,626,255
- Four years later	-	431,693,454	-	-	-	-	431,693,454
Reserve in respect of prior years	18,069,354	-	-	-	-	-	18,069,354
Current estimate of cumulative claims	18,069,354	431,693,454	478,626,255	650,497,528	499,457,724	580,609,259	2,658,953,574
Cumulative payments to date	-	(419,786,858)	(466,666,707)	(635,498,576)	(475,994,348)	(417,482,628)	(2,415,429,117)
Liability recognised in the statement of financial position	18,069,354	11,906,596	11,959,548	14,998,952	23,463,376	163,126,631	243,524,457
Outstanding claims and IBNR							243,524,457

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11. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations		Shareholders' operations	
	2022	2021	2022	2021
	SR	SR	SR	SR
Receivable against salvage items	10,373,889	16,107,654	-	-
Commission receivable	19,295,054	4,962,548	5,246,712	1,004,942
Other deferrals	29,392,811	23,624,824	-	-
Advances to service providers	2,974,198	7,476,798	-	-
Prepaid expenses	6,377,384	5,700,615	-	-
Other	15,530,045	6,861,310	-	-
	83,943,381	64,733,749	5,246,712	1,004,942

12. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Furniture, fixtures and office equipment</i>	<i>Capital work-in -progress</i>	<i>Total</i>
	SR	SR	SR	SR
Cost:				
At January 1, 2021	5,050,781	23,327,872	6,568,716	34,947,369
Additions	181,121	985,747	4,954,031	6,120,899
Disposals	-	(2,332)	-	(2,332)
Transfers	2,546,978	291,248	(2,838,226)	-
Adjustments	-	(10,035)	(276,954)	(286,989)
At December 31, 2021	7,778,880	24,592,500	8,407,567	40,778,947
Additions	2,515	1,477,706	3,457,697	4,937,918
Transfer	935,860	2,282,587	(3,218,447)	-
Adjustments	-	-	(5,908,125)	(5,908,125)
At December 31, 2022	8,717,255	28,352,793	2,738,692	39,808,740
Accumulated Depreciation:				
At January 1, 2021	(3,429,900)	(16,158,777)	-	(19,588,677)
Charge for the year	(315,827)	(3,101,966)	-	(3,417,793)
Disposals	-	699	-	699
At December 31, 2021	(3,745,727)	(19,260,044)	-	(23,005,771)
Charge for the year	(640,566)	(2,819,750)	-	(3,460,316)
At December 31, 2022	(4,386,293)	(22,079,794)	-	(26,466,087)
Net book value:				
At December 31, 2022	4,330,962	6,272,999	2,738,692	13,342,653
At December 31, 2021	4,033,153	5,332,456	8,407,567	17,773,176

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13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	2022	2021
	SR	SR
Right of use assets		
Balance as on January 1,	3,673,446	4,898,768
Additions during the year	7,065,822	-
Depreciation for the year	(2,401,288)	(1,225,322)
Balance as on December 31,	8,337,980	3,673,446
	2022	2021
	SR	SR
Lease liabilities		
Balance as on January 1,	3,141,919	3,657,651
Additions during the year	7,032,750	-
Finance cost for the year	286,401	134,268
Payments made during the year	(3,118,672)	(650,000)
Balance as on December 31,	7,342,398	3,141,919

The above right of use assets and lease liabilities pertain to office on lease rental.

Expenses pertain to short term and low value lease are SR 1.6 million (2021:SR 2.5 million).

14. GOODWILL

The Company commenced its insurance operations on January 1, 2009. The Company's shareholders approved the transfer of insurance portfolio and net assets of Trade Union Insurance Company B.S.C. (closed) to the Company effective January 1, 2009 upon approval from the respective authorities. Such transfer resulted in goodwill of SR 4.5 million.

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 11.19%; and
- Average expected growth rate of 4% on earned premium.

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 recognized.

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15. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. Saudi Arabian Monetary Agency ("SAMA") is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the Implementing Regulations for Insurance Companies, 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 local bank and can be withdrawn only with the consent of SAMA.

16. UNEARNED REINSURANCE COMMISSION

	2022	2021
	SR	SR
At January 1	4,843,821	4,530,774
Reinsurance commission received during the year	13,435,828	10,916,991
Reinsurance commission earned during the year	(12,744,391)	(10,603,944)
At December 31	5,535,258	4,843,821

17. ACCRUED AND OTHER LIABILITIES

	Insurance operations	Shareholders' operations		
	2022	2021	2022	2021
	SR	SR	SR	SR
Due to related parties (Note 20)	2,441,251	2,441,251	-	-
Accrued expenses	15,316,731	21,035,370	1,769,952	2,094,761
Undistributed surplus payable (prior years)	18,530,659	20,198,217	-	-
Withholding tax payable	516,091	221,672	-	-
VAT payable	6,377,132	13,794,736	-	-
Claims payable to policy holders	24,602,621	29,556,879	-	-
Commission payable	19,774,590	15,566,990	-	-
Other liabilities	55,656,580	24,302,011	66,294	65,577
	143,215,655	127,117,126	1,836,246	2,160,338

18. ACCUMULATED SURPLUS PAYABLE

	2022	2021
	SR	SR
Opening surplus distribution payable	2,508,583	11,572,732
Total income attributed to the insurance operations during the year	2,732,864	2,508,583
Surplus paid/adjusted	(444,603)	(6,713,073)
Transferred to payables	(2,063,980)	(4,859,659)
Closing surplus distribution payable	2,732,864	2,508,583

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19. END-OF-SERVICE INDEMNITIES

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

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

	2022	2021
	SR	SR
Present value of defined benefit obligation	16,915,703	17,540,258
	2022	2021
	SR	SR
January 1,	17,540,258	18,690,982
Charged during the year	3,435,392	3,640,366
Actuarial gain charged to other comprehensive income	(1,192,290)	(1,369,069)
Paid during the year	(2,867,657)	(3,422,021)
At December 31	16,915,703	17,540,258

19.2 Charge to statement of income a for the year:

	2022	2021
	SR	SR
Current service cost	3,020,895	3,210,801
Interest cost	414,497	429,565
Cost recognized in profit or loss	3,435,392	3,640,366

19.3 Principal actuarial assumptions

	2022	2021
	SR	SR
Discount factor used	%4.60	2.40%
Long term Salary increase rate	%4.60	2.40%
Mortality rates	AM (80)	AM (80)
	mortality table	mortality table
Weighted average duration of defined benefit obligation	9.88	10.37
Rates of employee's turnover	Moderate	Moderate

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19. END-OF-SERVICE INDEMNITIES (Continued)

19.4 Sensitivity analysis on present value of defined benefit obligations plan are as below:

	<i>December 31, 2022</i>		<i>December 31, 2021</i>	
	<i>Percentage (%)</i>	<i>Amount (SR)</i>	<i>Percentage (%)</i>	<i>Amount (SR)</i>
Discount rate				
Increase	1.00%	15,403,913	1.00%	15,880,761
Decrease	-1.00%	18,708,047	-1.00%	19,517,839
Expected changes of salary				
Increase	1.00%	18,687,853	1.00%	19,484,873
Decrease	-1.00%	15,391,895	-1.00%	15,875,467

The above 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 the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the statement of financial position.

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

The following are the details of major related parties' transactions during the year and the related balances:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>2022 SR</i>	<i>2021 SR</i>
Board of Directors	Reinsurance premiums ceded	2,645,654	1,459,588
	Reinsurers' share of gross claims	121,414	297,001
	Gross written premium	350,450	320,592
	Remuneration	1,450,000	1,450,000
	Meeting fee and expenses	243,000	157,500

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20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Balances due from/(to) related parties are comprised of the followings:

<i>Related parties</i>	<i>Balances due from / (to) related parties</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Affiliates		
Trade Activities Company	(2,441,251)	(2,441,251)

<i>Related parties</i>	<i>Premiums and reinsurance receivables</i>		<i>Reinsurance payables</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Board members	31,642	25,268	(591,668)	(528,244)
Total	31,642	25,268	(591,668)	(528,244)

- Amounts due from/ due to, pertain to transactions conducted with affiliates.
- Prices and terms of payment for these transactions are approved by the management.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top executives for the years ended December 31, 2022 and 2021:

2022	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	-	5,047,016
Allowances	-	243,000	38,967
Annual remuneration	-	1,450,000	1,492,802
End of service indemnity movement	-	-	285,726
Total	-	1,693,000	6,864,511
Headcount	-	7	5

2021	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	-	5,927,973
Allowances	-	157,500	18,890
Annual remuneration	-	1,450,000	1,610,734
End of service indemnity movement	-	-	601,408
Total	-	1,607,500	8,159,005
Headcount	-	7	5

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,			
	Insurance operations		Shareholders' operations	
	2022	2021	2022	2021
	SR	SR	SR	SR
Employees' salaries and costs	63,610,217	60,280,183	-	-
Withholding tax expense	44,129	93,184	-	-
VAT Expense	9,503,563	1,481,243	6,273	3,461
Employees' end-of-service benefits	3,435,392	3,640,366	-	-
Professional fees	3,222,209	2,862,840	314,261	-
Rent	1,638,157	2,530,274	-	-
Depreciation	3,460,316	3,409,303	-	-
Depreciation on right of use assets	2,401,288	1,225,322	-	-
Promotion and advertising	99,504	83,156	4,600	17,394
Stationery	646,535	659,822	-	-
Repairs and maintenance	391,486	173,551	-	-
Travel and transport	313,826	186,798	-	-
Utilities	437,890	488,495	-	-
Board of directors and other committees remuneration and expenses	-	-	2,770,000	2,029,000
Others	18,885,045	9,756,386	148,949	4,078
	108,089,557	86,870,923	3,244,083	2,053,933

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22. INVESTMENT INCOME

	<i>Insurance operations</i>		<i>Shareholders' operations</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash and short-term deposit				
Murabaha income	5,391,836	90,347	942,814	-
Dividend and investment income	1,629,737	3,195,202	424,754	1,879,370
Available for sale				
Realized gain on investments	-	-	20,977,673	22,547,967
Dividend and investment income	-	-	2,989,237	2,437,433
Murabaha income	-	-	-	621
Other investments at amortised cost				
Impairment on Other investments at amortised cost		-	(2,583,050)	(1,268,385)
Murabaha income		-	-	50,830
Dividend and investment income		-	1,346,173	989,471
Held to maturity				
Murabaha income	894,663	-	2,194,222	675,798
Dividend and investment income	(404,477)	-	-	-
Long term deposit				
Murabaha income	8,005,154	2,679,675	4,308,991	1,529,926
	15,516,913	5,965,224	30,600,814	28,843,031

23. OTHER UNDERWRITING INCOME

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Policy issuance fees	1,687,841	4,771,633
Profit sharing on reinsurance treaties	4,368,856	214,865
Company's share of Manafeth income	146,018	424,138
Company's share of compulsory umrah product income	6,713,373	243,000
Company share of Travel & Covid-19 Product - G.A.	4,356,333	2,153,000
Others	4,731,192	5,341,442
	22,003,613	13,148,078

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24. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	2022	2021
	SR	SR
Non-current assets	104,156,681	112,854,137
Non-current liabilities	25,873,057	18,183,114
Net income before surplus attribution and zakat and income tax	59,511,301	52,341,984
Goodwill	4,496,500	4,496,500
Opening shareholders' equity	637,715,064	662,971,512

Provision for Zakat and income tax

Provision for zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Movement in the provision for zakat and income tax during the year

	2022	2021
	SR	SR
At the beginning of the year	25,308,163	25,325,408
Provision for the year	18,500,000	15,000,000
Paid during the year	(20,744,095)	(15,017,245)
At the end of the year	23,064,068	25,308,163

The movement zakat provision is as follows:

	2022	2021
	SR	SR
At the beginning of the year	24,808,036	24,780,994
Provision for the year	18,039,350	14,626,500
Paid during the year	(20,410,054)	(14,599,458)
At the end of the year	22,437,332	24,808,036

The movement in income tax provision is as follows:

	2022	2021
	SR	SR
At the beginning of the year	500,127	544,414
Provision for the year	460,650	373,500
Paid during the year	(334,041)	(417,787)
At the end of the year	626,736	500,127

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24. ZAKAT AND INCOME TAX (Continued):

The following is the shareholding percentage in the financial statements as at the end of the year:

	2022	2021
	%	%
Shareholding subject to zakat	97.51	97.51
Shareholding subject to income tax	2.49	2.49

Status of zakat and income tax certificate

The Company has submitted its zakat and tax returns up to the year ended December 31, 2021.

The Company has received final clearance certificate from ZATCA till the year 2015. In 2020, the Company received assessment for the year 2016, 2017 and 2018 with an additional demand of zakat and income tax amounting to SR 2.7 million, SR 3.9 million and SR 3.8 million respectively. Management has made the payment amounting to SR 3.8 million against 2018 assessment and concluded the assessment. With respect to assessment for the year 2016 and 2017 management has filed an objection.

The assessment received for the year 2016 and 2017 includes additional withholding tax liability of SR 2.3 million and SR 2.8 million respectively. In 2020, the Company has paid the amount, however management has filed an objection. Charge for the withholding tax liability is accounted for under general and administrative expenses in the year 2020 .

In 2020, the Company has received VAT assessment order with additional liability of SR 4.1 million. The Company has paid the amount, however management has filed an objection. Charge for the additional VAT liability is accounted for under general and administrative expenses in the year 2020.

Additionally, the zakat assessments of Trade Union Insurance Company (B.S.C.) (closed) have been finalized by the ZATCA for the years 2000 to 2008 claiming zakat and income tax liability amounting to SR 10.6 million and withholding tax dues amounting to SR 8.9 million. Management has filed an objection against these assessments and the primary objection committee concluded the same in favor of ZATCA. However, the management filed an objection to the Appeal Committee of Zakat and Income Tax following the regulatory procedures .

In 2015, the ZATCA has issued an adjusted assessment for the same years 2000-2008 claiming the same amount as per the Preliminary Committee's decision. The Company has appealed against these assessments and management expects to receive a favorable ruling. Subsequently, the Company paid an additional amount of SR 8.8 million and submitted a letter of guarantee for SR 10.19 million for zakat. During to current period the Company received the revised order with additional zakat liability of SR 9.2 million and for withholding tax of SR 0.5 million net of payment .

In Q1 2022, the company received assessment for 2019 and 2020 with an additional demand of zakat and income tax amounting to SR 5.6 million and SR 4.6 million respectively. The company objected against the assessments and paid 25% of zakat as an objection procedure plus full amount of income tax to avoid penalties. The company then paid all additional amounts related to accepted points amounted SR 5 million. ZATCA rejected the objection, the company raised the case to GSTC and still in procedure

Payment has been made with the provision of continuation of the appeals, keeping the right to refund or reconcile the excess payment when the company receives a favorable ruling for the cases.

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25. SHARE CAPITAL

The authorized, issued and paid-up share capital is SR 450 million on December 31, 2022 consisting of 45 million shares (December 31, 2021: SR 400 million consisting of 40 million shares) of SR 10 each. Referring to note 1, on July 03, 2022, the Company has taken the Capital increase in place from SR 400 million to SR 450 million through bonus share issuance which has been made through capitalization of SR 30 million from statutory reserve and 20 million from retained earnings.

Shareholding structure of the Company is as below.

	<i>December 31, 2022</i>		
	<i>Authorized and issued</i>		<i>Paid up</i>
	<i>No. of Shares</i>	<i>SR</i>	
Trade Union Holding Co. - Bahrain	10,062,000	100,620,000	100,620,000
Al Ahleia Insurance Co. - Kuwait	4,499,999	44,999,990	44,999,990
Others	30,438,001	304,380,010	304,380,010
	45,000,000	450,000,000	450,000,000

	<i>December 31, 2021</i>		
	<i>Authorized and issued</i>		<i>Paid up</i>
	<i>No. of Shares</i>	<i>SR</i>	
Trade Union Holding Co. - Bahrain	8,944,000	89,440,000	89,440,000
Al Ahleia Insurance Co. - Kuwait	4,000,000	40,000,000	40,000,000
Others	27,056,000	270,560,000	270,560,000
	40,000,000	400,000,000	400,000,000

26. STATUTORY RESERVE

In accordance with the Implementing Regulations for Insurance Companies in Saudi Arabia and the by-laws of the Company, the Company has to establish a statutory reserve through the appropriation of 20% of net income in each year until the reserve equals 100% of the share capital.

27. EARNINGS PER SHARE

Basic and diluted Income per share from shareholders' income is calculated by dividing net income from shareholders' operations for the year by weighted average number of ordinary shares outstanding during the year, unless there is a dilution effect.

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28. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and Contingencies are as follows:

	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
Letter of Guarantee	15,267,820	14,940,660

b) Legal proceedings

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

CAPITAL MANAGEMENT

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

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

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

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

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

The solvency margin as at December 31, 2022 is 206%. Further, the Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at December 31, 2022 consists of paid-up share capital of SAR 450 million, statutory reserves of SAR 12.8 million and retained earnings of SAR 106.3 million (December 31, 2021: paid-up share capital of SAR 400 million, statutory reserves of SAR 36.3 million and retained earnings of SAR 100.5 million.) in the statement of financial position.

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

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29. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segment has been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess its performance.

For management purposes, the Company is organized into business segments classified as: Medical, Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information. On 29 December 2021, the company received SAMA approval for Protection and Saving insurance. However, the company has not started production under this umbrella, accordingly this new licenses has no impact on the financials statement for the year ended 31 December 2022.

Segment results do not include general and administrative expenses, interest income and commission income, dividend income and realized loss, net, other income, allowance for doubtful debts, and unrealized (losses)/gains on investments held for trading.

Segment assets do not include cash and cash equivalents, investments held for trading, available for sale and held to maturity, premiums and insurance receivable, prepaid expenses and other assets, amounts due from related parties, amounts due from shareholders' operations, time deposits, property and equipment, right of use assets and goodwill and shareholders' operations assets. Accordingly, they are included in unallocated assets.

Segment liabilities and accumulated surplus do not include accounts payables, reinsurance balances payable, accrued expenses and other liabilities, amounts due to shareholders' operations and end-of-service indemnities. 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.

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

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30. SEGMENTAL INFORMATION (Continued)

	For the twelve months ended December 31, 2022			
	Medical	Motor	Property and casualty	Total
			SR	
REVENUES				
Gross premiums written				
Individual	1,167,117	279,470,348	744,246	281,381,711
Micro Entities	408,080,699	1,910,242	806,413	410,797,354
Small Entities	13,264,922	8,412,368	10,249,972	31,927,262
Medium Entities	18,186,801	21,103,686	24,215,332	63,505,819
Large Organizations	78,167,427	283,957,491	26,963,469	389,088,387
	518,866,966	594,854,135	62,979,432	1,176,700,533
Reinsurance premiums ceded – local	-	(2,227,974)	(4,059,897)	(6,287,871)
Reinsurance premiums ceded – foreign	-	(8,732,420)	(44,577,419)	(53,309,839)
Excess of loss premium	(16,688,113)	(10,063,264)	(1,781,343)	(28,532,720)
Net premiums written	502,178,853	573,830,477	12,560,773	1,088,570,103
Changes in unearned premiums, net	(10,666,877)	(70,612,326)	(4,082,439)	(85,361,642)
Net premiums earned	491,511,976	503,218,151	8,478,334	1,003,208,461
Reinsurance commission income	-	3,051,979	9,692,412	12,744,391
Other underwriting income	3,601,247	4,519,075	13,883,291	22,003,613
TOTAL REVENUES	495,113,223	510,789,205	32,054,037	1,037,956,465
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(319,117,591)	(447,474,852)	(5,048,258)	(771,640,701)
Reinsurers' share of claims paid	13,972,532	4,018,182	2,994,287	20,985,001
Net claims and other benefits paid	(305,145,059)	(443,456,670)	(2,053,971)	(750,655,700)
Changes in outstanding claims, net	(8,512,194)	(21,011,607)	765,432	(28,758,369)
Changes in claims incurred but not reported, net	12,558,412	(19,639,390)	(436,694)	(7,517,672)
Change in other technical reserves, net	(442,591)	(1,657,037)	(9,480)	(2,109,108)
Net claims and other benefits incurred	(301,541,432)	(485,764,704)	(1,734,713)	(789,040,849)
Additional premium reserves	-	9,940,511	169,789	10,110,300
Policy acquisition costs	(44,915,618)	(23,055,205)	(6,214,501)	(74,185,324)
Other underwriting expenses	(24,715,407)	(36,296,633)	(814,451)	(61,826,491)
TOTAL UNDERWRITING COSTS AND EXPENSES	(371,172,457)	(535,176,031)	(8,593,876)	(914,942,364)
NET UNDERWRITING INCOME/(LOSS)	123,940,766	(24,386,826)	23,460,161	123,014,101
OTHER OPERATING (EXPENSES)/ INCOME				
Allowance for doubtful debts				(6,936,306)
General and administrative expenses				(111,333,640)
Murabaha income on deposits				21,737,680
Realized gain/(loss)/(impairment) on investments				18,394,623
Dividend and investment income				5,985,424
Investment expenses				(1,161,515)
Finance cost				(253,330)
Other expenses				4,076,823
Total other operating expenses, net				(69,490,241)
Total income for the year before surplus attribution and zakat and income tax				53,523,860
Surplus attributed to the insurance operations				(2,732,864)
Total income for the year before Zakat and income tax				50,790,996
Zakat and income tax expense				(18,500,000)
Total income for the year attributable to the shareholders				32,290,996

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30. SEGMENTAL INFORMATION (Continued)

As at December 31, 2022					
	Insurance operations				Shareholders' operations
	Medical	Motor	Property and casualty	Total insurance operations	
	SR	SR	SR	SR	SR
Assets					
Reinsurers' share of unearned premiums	-	4,151,441	25,015,813	29,167,254	-
Reinsurers' share of outstanding claims	7,808,785	6,819,272	72,709,596	87,337,653	-
Reinsurers' share of claims incurred but not reported	-	554,422	14,038,443	14,592,865	-
Deferred policy acquisition costs	20,927,411	9,231,337	4,087,236	34,245,984	-
Unallocated assets	-	-	-	1,073,472,905	571,814,855
Total assets	28,736,196	20,756,472	115,851,088	1,238,816,661	571,814,855
Liabilities					
Unearned premiums	239,835,639	297,782,682	36,855,688	574,474,009	-
Unearned reinsurance commission	-	1,224,672	4,310,586	5,535,258	-
Outstanding claims	113,265,190	54,315,959	113,369,911	280,951,060	-
Claims incurred but not reported	(5,678,685)	88,712,205	17,746,436	100,779,956	-
Additional premium reserves	-	4,245,814	492,732	4,738,546	-
Other technical reserves	1,019,078	5,756,943	3,721,569	10,497,590	-
Unallocated liabilities	-	-	-	237,244,462	31,152,168
Total liabilities	348,441,222	452,038,275	176,496,922	1,214,220,881	31,152,168

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain foreign investments.

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30. SEGMENTAL INFORMATION (Continued)

	For the twelve months ended December 31, 2021			
	Medical	Motor	Property and casualty	Total
	SR			
REVENUES				
Gross premiums written				
Individual	1,071,389	126,794,239	987,204	128,852,832
Micro Entities	335,497,308	1,371,579	1,058,436	337,927,323
Small Entities	10,003,546	7,249,179	6,587,747	23,840,472
Medium Entities	18,923,461	20,097,161	25,067,479	64,088,101
Large Organizations	56,910,964	227,998,866	25,858,953	310,768,783
	422,406,668	383,511,024	59,559,819	865,477,511
Reinsurance premiums ceded – local	-	(636,930)	(2,167,684)	(2,804,614)
Reinsurance premiums ceded – foreign	-	(5,706,429)	(44,894,425)	(50,600,854)
Excess of loss premium	(11,287,203)	(6,851,614)	(1,591,256)	(19,730,073)
Net premiums written	411,119,465	370,316,051	10,906,454	792,341,970
Changes in unearned premiums, net	(97,123,757)	45,615,910	51,947	(51,455,900)
Net premiums earned	313,995,708	415,931,961	10,958,401	740,886,070
Reinsurance commission income	-	1,612,075	8,991,869	10,603,944
Other underwriting income	1,558,631	8,909,720	2,679,727	13,148,078
TOTAL REVENUES	315,554,339	426,453,756	22,629,997	764,638,092
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(176,699,400)	(352,876,675)	(11,373,634)	(540,949,709)
Reinsurers’ share of claims paid	8,392,942	2,597,896	6,400,770	17,391,608
Net claims and other benefits paid	(168,306,458)	(350,278,779)	(4,972,864)	(523,558,101)
Changes in outstanding claims, net	(59,849,600)	22,872,042	(1,938,422)	(38,915,980)
Changes in claims incurred but not reported	57,428	1,335,108	1,269,487	2,662,023
Change in other technical reserves movement	130,597	115,950	(873,256)	(626,709)
Net claims and other benefits incurred	(227,968,033)	(325,955,679)	(6,515,055)	(560,438,767)
Additional premium reserves	-	(3,887,290)	(21,849)	(3,909,139)
Policy acquisition costs	(27,394,097)	(21,159,098)	(6,523,540)	(55,076,735)
Other underwriting expenses	(17,729,368)	(31,873,202)	(344,299)	(49,946,869)
TOTAL UNDERWRITING COSTS AND EXPENSES	(273,091,498)	(382,875,269)	(13,404,743)	(669,371,510)
NET UNDERWRITING (LOSS)/ INCOME	42,462,841	43,578,487	9,225,254	95,266,582
OTHER OPERATING (EXPENSES)/ INCOME				
Allowance for doubtful debts				8,250,069
General and administrative expenses				(88,924,856)
Murabaha income on deposits				5,027,197
Realized gain on sale of investments				21,279,582
Dividend and investment income				8,501,476
Investment expenses				(934,024)
Finance cost				(134,268)
Others				2,609,142
Total other operating expenses, net				(44,325,682)
Total income for the year before surplus attribution and zakat and income tax				50,940,900
Surplus attributed to the insurance operations				(2,508,583)
Total income for the year before Zakat and income tax				48,432,317
Zakat and income tax expense				(15,000,000)
Total income for the year attributable to the shareholders				33,432,317

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30. SEGMENTAL INFORMATION (Continued)

	As at December 31, 2021					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property and casualty	Total insurance operations		
	SR	SR	SR	SR	SR	SR
Assets						
Reinsurers' share of unearned premiums	-	3,658,492	19,891,706	23,550,198	-	23,550,198
Reinsurers' share of outstanding claims	5,720,569	860,555	71,260,763	77,841,887	-	77,841,887
Reinsurers' share of claims incurred but not reported	-	586,368	15,332,942	15,919,310	-	15,919,310
Deferred policy acquisition costs	20,021,721	11,053,077	3,188,349	34,263,147	-	34,263,147
Unallocated assets	-	-	-	912,706,711	564,739,784	1,477,446,495
Total assets	25,742,290	16,158,492	109,673,760	1,064,281,253	564,739,784	1,629,021,037
Liabilities						
Unearned premiums	229,168,762	226,677,407	27,649,142	483,495,311	-	483,495,311
Unearned reinsurance commission	-	1,042,693	3,801,128	4,843,821	-	4,843,821
Outstanding claims	102,664,780	27,345,635	112,686,510	242,696,925	-	242,696,925
Claims incurred but not reported	6,879,727	69,104,761	18,604,241	94,588,729	-	94,588,729
Additional premium reserves	-	14,186,325	662,521	14,848,846	-	14,848,846
Other technical reserves	576,487	4,099,906	3,712,089	8,388,482	-	8,388,482
Unallocated liabilities	-	-	-	192,841,896	32,955,714	225,797,610
Total liabilities	339,289,756	342,456,727	167,115,631	1,041,704,010	32,955,714	1,074,659,724

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain foreign investments.

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31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that fair value of cash, bank balances and short-term deposits, receivables from related parties, accounts payable, reinsurance balances payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Determination of fair value and fair value hierarchy

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

- Level 1 – quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2 – quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3 – valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>December 31, 2022</i>				
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments available for sale	139,082,100	15,638,507	11,097,284	165,817,891
	139,082,100	15,638,507	11,097,284	165,817,891

<i>December 31, 2021</i>				
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Investments available for sale	124,699,612	51,678,806	11,097,284	187,475,702
	124,699,612	51,678,806	11,097,284	187,475,702

During the year, there has been no transfer between the above three levels.

Investments available for sale amounting to SR. 11,097,284 (2021: SR. 11,097,284) are carried at cost because the investments are not quoted in any active market nor there is any level of input directly or indirectly observable and there are no other significant observable inputs available. The management does not have any intention to dispose of this available for sale investment in the foreseeable future.

32. RISK MANAGEMENT

Risk governance

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

Risk management structure

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

Board of Directors

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

Risk Management Committee

The Company has a Risk Management Committee in place. The Committee meets to review the reports of the Risk Manager to give advice and make recommendations on Company's enterprise-wide risk management to the BOD. The risks of each area are managed by the respective Line Managers and Departmental Heads. The Company continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk both currently and in future under SAMA's implementing rules and regulations. Elements of this framework include the regular identification and assessment of the key risks and controls as well as clearly defined ownership of both the risks and controls.

32. RISK MANAGEMENT (Continued)

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.

Audit Committee and Internal Audit Department

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

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:

Insurance and reinsurance risk management

The risk under an insurance contract is the possibility that the insured event occurs 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 that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

32. RISK MANAGEMENT (Continued)

Frequency and severity of claims

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

(i) Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom, are underwritten either on a replacement value or an indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

(ii) Engineering

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

(iii) Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties' properties. Further, death claims compensation has been made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

(iv) Casualty

For casualty class of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage is the main factor that influences the level of claims.

(v) Marine

In marine insurance, the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Reinsurance arrangements have been made with reinsurers through proportional treaties as well as non-proportional treaties.

32. RISK MANAGEMENT (Continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. 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.

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 3 and 4.

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.

Concentration of insurance risk

The Company, with the introduction of any one risk definition and strictly following it in the underwriting process, eliminates concentration of risks. Elimination of location limit under the marine proportional treaty and having a third excess of losses ("XOL") layer to protect accumulation on the net retention amply to take care of concentration. On the casualty side, concentration of risk is very minimal and XOL treaty takes care of it amply. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the statement of financial position date.

Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

32. RISK MANAGEMENT (Continued)

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to 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.

Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

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32. RISK MANAGEMENT (Continued)

Credit risk (Continued)

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

	Insurance operations		Shareholders' operations	
	2022	2021	2022	2021
	SR	SR	SR	SR
Cash and cash equivalents	179,102,427	387,418,940	10,764,729	148,079,199
Statutory deposit		-	45,000,000	40,000,000
Long term/fixed income deposits	520,691,331	275,000,000	242,550,217	132,676,226
Accrued income on statutory deposit		-	6,251,854	5,487,213
Investments	44,800,000	-	257,504,843	232,995,704
Premiums and reinsurance receivable, net	223,255,133	164,107,400	-	-
Reinsurers' share of outstanding claims	87,337,653	77,841,887	-	-
Reinsurers' share of claims Incurred but not reported	14,592,865	15,919,310	-	-
Other assets	45,198,988	27,931,512	5,246,712	1,004,942
	1,114,978,397	948,219,049	567,318,355	560,243,284

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds invested in time deposits, available for sale and held for trading investments.

Maturity profiles

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

	2022	
	Up to	More than
	one year	one year Total
	SR	SR SR
INSURANCE OPERATIONS' FINANCIAL ASSETS		
Cash and cash equivalents	179,102,427	- 179,102,427
Long term/fixed income deposits	390,691,331	130,000,000 520,691,331
Investments	44,800,000	- 44,800,000
Premiums and reinsurance balances receivable, net	223,255,133	- 223,255,133
Reinsurers' share of outstanding claims	87,337,653	- 87,337,653
Reinsurers' share of claims Incurred but not reported	14,592,865	- 14,592,865
Other assets	45,198,988	- 45,198,988
	984,978,397	130,000,000 1,114,978,397

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32. RISK MANAGEMENT (Continued)

Maturity profiles (Continued)

	2022		
	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	10,764,729	-	10,764,729
Long term/fixed income deposits	242,550,217	-	242,550,217
Statutory deposit	-	45,000,000	45,000,000
Investments	-	257,504,843	257,504,843
Accrued income on statutory deposit	-	6,251,854	6,251,854
Other assets	5,246,712	-	5,246,712
	258,561,658	308,756,697	567,318,355
TOTAL FINANCIAL ASSETS	1,243,540,055	438,756,697	1,682,296,752
	2021		
	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
INSURANCE OPERATIONS' FINANCIAL ASSETS			
Cash and cash equivalents	387,418,940	-	387,418,940
Long term/fixed income deposits	245,000,000	30,000,000	275,000,000
Premiums and reinsurance receivable, net	164,107,400	-	164,107,400
Reinsurers' share of outstanding claims	77,841,887	-	77,841,887
Reinsurers' share of claims Incurred but not reported	15,919,310	-	15,919,310
Other assets	27,931,512	-	27,931,512
	918,219,049	30,000,000	948,219,049
	2021		
	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	148,079,199	-	148,079,199
Long term/fixed income deposits	132,676,226	-	132,676,226
Statutory deposit	-	40,000,000	40,000,000
Investments	-	232,995,704	232,995,704
Statutory deposit commission	-	5,487,213	5,487,213
Other assets	1,004,942	-	1,004,942
	281,760,367	278,482,917	560,243,284
TOTAL FINANCIAL ASSETS	1,199,979,416	308,482,917	1,508,462,333

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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32. RISK MANAGEMENT (Continued)

Maturity profiles (Continued)

	2022		
	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	49,907,308	-	49,907,308
Reinsurance balances payable	18,220,530	-	18,220,530
Accrued and other liabilities	136,322,432	-	136,322,432
Gross outstanding claims	280,951,060	-	280,951,060
Claims incurred but not reported	100,779,956	-	100,779,956
	586,181,286	-	586,181,286
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued and other liabilities	1,836,246	-	1,836,246
Accrued commission income payable to SAMA	-	6,251,854	6,251,854
	1,836,246	6,251,854	8,088,100
TOTAL FINANCIAL LIABILITIES	588,017,532	6,251,854	594,269,386
	2021		
	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	31,870,062	-	31,870,062
Reinsurance balances payable	12,946,234	-	12,946,234
Accrued and other liabilities	113,100,718	-	113,100,718
Gross outstanding claims	242,696,925	-	242,696,925
Claims incurred but not reported	94,588,729	-	94,588,729
	495,202,668	-	495,202,668
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued and other liabilities	2,160,338	-	2,160,338
Accrued commission income payable to SAMA	-	5,487,213	5,487,213
	2,160,338	5,487,213	7,647,551
TOTAL FINANCIAL LIABILITIES	497,363,006	5,487,213	502,850,219

Liquidity profile

None of the financial liabilities on the statement of financial position are valued at amortized cost.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

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32. RISK MANAGEMENT (Continued)

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 interest risk.

The Company is exposed to commission rate risk on certain of its time deposits, term deposits, investments held for trading and investments available for sale. The Company limits commission rate risk by monitoring changes in commission rates.

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

The sensitivity of the statement of shareholders comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at 31 December:

	Change in basis points	Effect on comprehensive income for the year SR
2022	10	± 688,477
2021	10	± 424,393

Market price risk

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

The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity market. The Company does not have significant market risk.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the investment department of the Company. The unquoted equity price risk exposure arises from the Company's investment portfolio.

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32. RISK MANAGEMENT (Continued)

Market price risk (Continued)

The effect on net surplus from insurance operations in the statement of income and effect on total comprehensive income for the year in the statement of comprehensive income as a result of a change in the fair value of the held for trading investments at December 31, 2022 due to a reasonable possible change in the equity prices, with all other variables held as constant is as follows:

<i>Change in equity price</i>	<i>2022</i>		<i>2021</i>	
	<i>Insurance operations'</i>	<i>Shareholders'</i>	<i>Insurance operations'</i>	<i>Shareholders'</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
+5	-	8,290,895	-	9,373,785
-5	-	(8,290,895)	-	(9,373,785)

Capital management

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

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

Operational Risk

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

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

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

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33. SUPPLEMENTARY INFORMATION

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

a) Statement of financial position

		December 31, 2022			December 31, 2021		
		Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
ASSETS	<i>Note</i>						
Cash and cash equivalents	5	179,102,427	10,764,729	189,867,156	387,418,940	148,079,199	535,498,139
Long term/fixed income deposits	6	520,691,331	242,550,217	763,241,548	275,000,000	132,676,226	407,676,226
Investments	7	44,800,000	257,504,843	302,304,843	-	232,995,704	232,995,704
Premiums and reinsurance receivable - net	8	223,255,133	-	223,255,133	164,107,400	-	164,107,400
Reinsurers' share of unearned premiums	9	29,167,254	-	29,167,254	23,550,198	-	23,550,198
Reinsurers' share of outstanding claims	9	87,337,653	-	87,337,653	77,841,887	-	77,841,887
Reinsurers' share of claims Incurred but not reported	9	14,592,865	-	14,592,865	15,919,310	-	15,919,310
Deferred policy acquisition costs	9	34,245,984	-	34,245,984	34,263,147	-	34,263,147
Due from shareholders'/insurance operations		-	24,595,780	24,595,780	-	22,577,243	22,577,243
Prepaid expenses and other assets	11	83,943,381	5,246,712	89,190,093	64,733,749	1,004,942	65,738,691
Property and equipment	12	13,342,653	-	13,342,653	17,773,176	-	17,773,176
Right of use assets	13	8,337,980	-	8,337,980	3,673,446	-	3,673,446
Goodwill	14	-	4,496,500	4,496,500	-	4,496,500	4,496,500
Statutory deposit	15	-	45,000,000	45,000,000	-	40,000,000	40,000,000
Accrued income on statutory deposit		-	6,251,854	6,251,854	-	5,487,213	5,487,213
TOTAL ASSETS		1,238,816,661	596,410,635	1,835,227,296	1,064,281,253	587,317,027	1,651,598,280
Less: inter-operations elimination		-	(24,595,780)	(24,595,780)	-	(22,577,243)	(22,577,243)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION		1,238,816,661	571,814,855	1,810,631,516	1,064,281,253	564,739,784	1,629,021,037

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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33. SUPPLEMENTARY INFORMATION (Continued)

a) Statement of financial position (Continued)

	<i>Note</i>	<i>December 31, 2022</i>			<i>December 31, 2021</i>		
		Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
LIABILITIES							
Accounts payable		49,907,308	-	49,907,308	31,870,062	-	31,870,062
Accrued and other liabilities	17	143,215,655	1,836,246	145,051,901	127,117,126	2,160,338	129,277,464
Lease liability		7,342,398	-	7,342,398	3,141,919	-	3,141,919
Reinsurers' balances payable		18,220,530	-	18,220,530	12,946,234	-	12,946,234
Unearned premiums	9	574,474,009	-	574,474,009	483,495,311	-	483,495,311
Unearned reinsurance commission	16	5,535,258	-	5,535,258	4,843,821	-	4,843,821
Outstanding claims	9	280,951,060	-	280,951,060	242,696,925	-	242,696,925
Claims incurred but not reported	9	100,779,956	-	100,779,956	94,588,729	-	94,588,729
Additional premium reserves	9	4,738,546	-	4,738,546	14,848,846	-	14,848,846
Other technical reserves	9	10,497,590	-	10,497,590	8,388,482	-	8,388,482
Due to shareholders' operations		24,595,780	-	24,595,780	22,577,243	-	22,577,243
End-of-service indemnities	19	16,915,703	-	16,915,703	17,540,258	-	17,540,258
Zakat and income tax	23	-	23,064,068	23,064,068	-	25,308,163	25,308,163
Accrued commission income payable to SAMA		-	6,251,854	6,251,854	-	5,487,213	5,487,213
TOTAL LIABILITIES		1,237,173,793	31,152,168	1,268,325,961	1,064,054,956	32,955,714	1,097,010,670
Less: Interoperations elimination		(24,595,780)	-	(24,595,780)	(22,577,243)	-	(22,577,243)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION		1,212,578,013	31,152,168	1,243,730,181	1,041,477,713	32,955,714	1,074,433,427
Accumulated surplus payable	18	2,732,864	-	2,732,864	2,508,583	-	2,508,583
Re-measurement actuarial loss on end of service indemnities		(1,089,996)	-	(1,089,996)	(2,282,286)	-	(2,282,286)
TOTAL ACCUMULATED SERPLUS AND RESERVES		1,642,868	-	1,642,868	226,297	-	226,297
EQUITY							
Share capital	25	-	450,000,000	450,000,000	-	400,000,000	400,000,000
Statutory reserve	26	-	12,756,315	12,756,315	-	36,298,116	36,298,116
Retained earnings		-	106,310,846	106,310,846	-	100,478,049	100,478,049
Fair value reserve on investments		-	(3,808,694)	(3,808,694)	-	17,585,148	17,585,148
TOTAL EQUITY		-	565,258,467	565,258,467	-	554,361,313	554,361,313
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		1,214,220,881	596,410,635	1,810,631,516	1,041,704,010	587,317,027	1,629,021,037

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AL-ETIHAD COOPERATIVE INSURANCE COMPANY

33. SUPPLEMENTARY INFORMATION (Continued)

B) Statement of income

	<i>Year ended December 31, 2022</i>			<i>Year ended December 31, 2021</i>		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
REVENUES						
Gross written premiums	1,176,700,533	-	1,176,700,53	865,477,511	-	865,477,511
Reinsurance premiums ceded - Local	(6,287,871)	-	(6,287,871)	(2,804,614)	-	(2,804,614)
Reinsurance premiums ceded – Foreign	(53,309,839)	-	(53,309,839)	(50,600,854)	-	(50,600,854)
Excess of loss premium	(28,532,720)	-	(28,532,720)	(19,730,073)	-	(19,730,073)
Net premiums written	1,088,570,103	-	1,088,570,103	792,341,970	-	792,341,970
Changes in unearned premiums, net	(85,361,642)	-	(85,361,642)	(51,455,900)	-	(51,455,900)
Net premiums earned	1,003,208,461	-	1,003,208,461	740,886,070	-	740,886,070
Reinsurance commission income	12,744,391	-	12,744,391	10,603,944	-	10,603,944
Other underwriting income	22,003,613	-	22,003,613	13,148,078	-	13,148,078
TOTAL REVENUES	1,037,956,465	-	1,037,956,465	764,638,092	-	764,638,092
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(771,640,701)	-	(771,640,701)	(540,949,709)	-	(540,949,709)
Reinsurers' share of claims paid	20,985,001	-	20,985,001	17,391,608	-	17,391,608
Net claims and other benefits paid	(750,655,700)	-	(750,655,700)	(523,558,101)	-	(523,558,101)
Changes in outstanding claims, net	(28,758,369)	-	(28,758,369)	(38,915,980)	-	(38,915,980)
Changes in claims incurred but not reported, net	(7,517,672)	-	(7,517,672)	2,662,023	-	2,662,023
Change in other technical reserves, net	(2,109,108)	-	(2,109,108)	(626,709)	-	(626,709)
Net claims and other benefits	(789,040,849)	-	(789,040,849)	(560,438,767)	-	(560,438,767)
Additional premium reserves	10,110,300	-	10,110,300	(3,909,139)	-	(3,909,139)
Policy acquisition costs	(74,185,324)	-	(74,185,324)	(55,076,735)	-	(55,076,735)
Other underwriting expenses	(61,826,491)	-	(61,826,491)	(49,946,869)	-	(49,946,869)
TOTAL UNDERWRITING COSTS AND EXPENSES	(914,942,364)	-	(914,942,364)	(669,371,510)	-	(669,371,510)
NET UNDERWRITING INCOME	123,014,101	-	123,014,101	95,266,582	-	95,266,582

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FOR THE YEAR ENDED DECEMBER 31, 2022
AL-ETIHAD COOPERATIVE INSURANCE COMPANY

33. SUPPLEMENTARY INFORMATION (Continued)

B) Statement of income (Continued)	SAR					
	<i>Year ended December 31, 2022</i>			<i>Year ended December 31, 2021</i>		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Allowance for doubtful debts	(6,936,306)	-	(6,936,306)	8,250,069	-	8,250,069
General and administrative expenses	(108,089,557)	(3,244,083)	(111,333,640)	(86,870,923)	(2,053,933)	(88,924,856)
Murabaha income on deposits	14,291,653	7,446,027	21,737,680	2,770,022	2,257,175	5,027,197
Realized gain on sale of investments		18,394,623	18,394,623	-	21,279,582	21,279,582
Dividend and investment income	1,225,260	4,760,164	5,985,424	3,195,202	5,306,274	8,501,476
Investment expenses		(1,161,515)	(1,161,515)	-	(934,024)	(934,024)
Finance cost	(253,330)		(253,330)	(134,268)	-	(134,268)
Others	4,076,823		4,076,823	2,609,142	-	2,609,142
TOTAL OTHER OPERATING EXPENSES, NET	(95,685,457)	26,195,216	(69,490,241)	(70,180,756)	25,855,074	(44,325,682)
TOTAL INCOME FOR THE YEAR BEFORE SURPLUS ATTRIBUTION AND ZAKAT AND INCOME TAX	27,328,644	26,195,216	53,523,860	25,085,826	25,855,074	50,940,900
Surplus transferred to Shareholders	(24,595,780)	24,595,780	-	(22,577,243)	22,577,243	-
TOTAL INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX	2,732,864	50,790,996	53,523,860	2,508,583	48,432,317	50,940,900
Zakat and income tax expense	-	(18,500,000)	(18,500,000)	-	(15,000,000)	(15,000,000)
TOTAL INCOME FOR THE YEAR	2,732,864	32,290,996	35,023,860	2,508,583	33,432,317	35,940,900

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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33. SUPPLEMENTARY INFORMATION (Continued)

c) Statement of comprehensive income	Year ended December 31, 2022			Year ended December 31, 2021		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS	2,732,864	32,290,996	35,023,860	2,508,583	33,432,317	35,940,900
Other comprehensive income						
<i>Items that are classified or will be reclassified to statement of income in subsequent years</i>						
Unrealized fair value changes in available-for-sale investments	-	(1,147,341)	(1,147,341)	-	26,909,812	26,909,812
Realization of (gain)/ loss/ impairment on sale of available-for-sale investment	-	(20,246,501)	(20,246,501)	-	(18,536,672)	(18,536,672)
<i>Items that will not be reclassified to statement of income in subsequent years</i>						
Actuarial (loss) / gain on end of service indemnities	1,192,290	-	1,192,290	1,369,069	-	1,369,069
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,925,154	10,897,154	14,822,308	3,877,652	41,805,457	45,683,109

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

33. SUPPLEMENTARY INFORMATION (Continued)

d) Statement of cash flows (Continued)

	Year ended December 31, 2022			Year ended December 31, 2021		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the year before surplus attribution and zakat and income tax	2,732,864	50,790,996	53,523,860	2,508,583	48,432,317	50,940,900
Adjustments for non-cash items:						
Depreciation of property and equipment	3,460,316	-	3,460,316	3,417,793	-	3,417,793
Depreciation charge of right to use assets	2,401,288	-	2,401,288	1,225,322	-	1,225,322
Gain on disposal of property and equipment	-	-	-	1,135	-	1,135
Allowance for/(Reversal of) doubtful debts	6,936,306	-	6,936,306	(8,250,069)	-	(8,250,069)
Realized gain on investments	-	(18,394,623)	(18,394,623)	-	(21,279,582)	(21,279,582)
Dividend reinvested	-	-	-	-	(14,869)	(14,869)
Finance cost	253,330	-	253,330	134,268	-	134,268
Provision for end-of-service indemnities	3,435,392	-	3,435,392	3,640,366	-	3,640,366
Changes in Operating Assets and Liabilities						
Premiums and reinsurers' receivable	(66,528,642)	-	(66,528,642)	35,199,662	-	35,199,662
Reinsurers' share of unearned premiums	(5,617,056)	-	(5,617,056)	(3,894,665)	-	(3,894,665)
Reinsurers' share of outstanding claims	(9,495,766)	-	(9,495,766)	9,359,182	-	9,359,182
Reinsurers' share of claims Incurred but not reported	1,326,445	-	1,326,445	175,377	-	175,377
Deferred policy acquisition costs	17,163	-	17,163	(10,742,873)	-	(10,742,873)
Prepaid expenses and other assets	(19,209,632)	(4,241,770)	(23,451,402)	(13,653,892)	703,956	(12,949,936)
Accounts payable	18,037,246	-	18,037,246	12,214,373	-	12,214,373
Accrued and other liabilities	14,034,549	(324,092)	13,710,457	26,862,377	(30,000)	26,832,377
Reinsurers' balances payable	5,274,296	-	5,274,296	5,556,366	-	5,556,366
Unearned premiums	90,978,698	-	90,978,698	55,350,565	-	55,350,565
Unearned commission income	691,437	-	691,437	313,047	-	313,047
Outstanding claims	38,254,135	-	38,254,135	29,556,799	-	29,556,799
Claims incurred but not reported	6,191,227	-	6,191,227	(2,837,400)	-	(2,837,400)
Additional premiums reserve	(10,110,300)	-	(10,110,300)	3,909,139	-	3,909,139
Other technical reserve	2,109,108	-	2,109,108	626,709	-	626,709
	85,172,404	27,830,511	113,002,915	150,672,164	27,811,822	178,483,986
End of service indemnities paid	(2,867,657)	-	(2,867,657)	(3,422,021)	-	(3,422,021)
Surplus paid to policy holders	-	-	-	(814)	-	(814)
Zakat and income tax paid	-	(20,744,095)	(20,744,095)	-	(15,017,245)	(15,017,245)
Due from insurance operations	-	(2,018,537)	(2,018,537)	-	81,577,342	81,577,342
Due to shareholders' operations	2,018,537	-	2,018,537	(81,577,342)	-	(81,577,342)
Net cash generated from / (used in) operating activities	84,323,284	5,067,879	89,391,163	65,671,987	94,371,919	160,043,906

AL-ETIHAD COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

33. SUPPLEMENTARY INFORMATION (Continued)

d) Statement of cash flows (Continued)

	Year ended December 31, 2022			Year ended December 31, 2021		
	Insurance operations SR	Shareholders' operations SR	Total SR	Insurance operations SR	Shareholders' operations SR	Total SR
CASH FLOW FROM INVESTING ACTIVITIES						
(Additions)/disposals in investments, net	(44,800,000)	(27,508,358)	(72,308,358)	-	26,628,142	26,628,142
Additions in long term/fixed income deposits	(245,691,331)	(109,873,991)	(355,565,322)	(45,000,000)	(51,406,348)	(96,406,348)
Lease payment	(3,118,673)	-	(3,118,673)	(650,000)	-	(650,000)
Additions in statutory deposit	-	(5,000,000)	(5,000,000)			
Disposals /(Additions) in property and equipment, net	970,207	-	970,207	(5,833,412)	-	(5,833,412)
Net cash generated used in investing activities	(292,639,797)	(142,382,349)	(435,022,146)	(51,483,412)	(24,778,206)	(76,261,618)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(208,316,513)	(137,314,470)	(345,630,983)	14,188,575	69,593,713	83,782,288
Cash and cash equivalents at the beginning of the year	387,418,940	148,079,199	535,498,139	373,230,365	78,485,486	451,715,851
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	179,102,427	10,764,729	189,867,156	387,418,940	148,079,199	535,498,139
NON-CASH INFORMATION						
Unrealized (gain)/loss on sale of investments	-	(1,147,341)	(1,147,341)	-	26,909,812	26,909,812
Realization of gain on sale of investment	-	(20,246,501)	(20,246,501)	-	(18,536,672)	(18,536,672)
Surplus transferred to undistributed surplus account (liability)	2,063,980	-	2,063,980	4,859,659	-	4,859,659
Surplus transferred to customers' accounts	444,603	-	444,603	6,712,259	-	6,712,259

34. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation.

35. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The Company is in the process of assessing the impact of the new Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. However, the Company will submit the amended Company-bylaw to the shareholders' approval on those amendments after finalizing them, through an extra-ordinary generally meeting.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on March 21, 2023 corresponding to 29 Sha'aban 1444 H.