MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

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

Opinion

We have audited the financial statements of Malath Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 28, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Valuation of insurance contract liabilities	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2021, the gross outstanding claims including claims incurred but not reported (IBNR) and other technical reserves amounted to SR 302 million (2020: SR 336 million) as reported in Note 7 of the financial statements. The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs. The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates. *Refer to Note 2(d)(i) to the financial statements which explains significant accounting policies, the valuation methodology used by the Company and critical judgments and estimates.*	We performed the following procedures: - Understood, evaluated and tested key controls around the claims handling and provision setting processes. - Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. - Performed substantive tests on the amounts recorded for sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. - Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. - Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. - Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Independent Auditors' Report (Continued)

Other information

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

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' Report (Continued)

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

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

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

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

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

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

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

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

Independent Auditors' Report (Continued)

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

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

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17 March 2022
14 Sha'ban 1443

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R 1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ٣٢٣/١١/١٤٨
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2021	2020
		SR (000)	
ASSETS			
Cash and cash equivalents	4	**479,381**	560,070
Murabaha deposits	5	**129,113**	165,284
Premiums and reinsurers' receivable - net	6	**218,884**	200,224
Reinsurers' share of unearned premiums	7b	**14,487**	17,051
Reinsurers' share of outstanding claims	7a	**90,130**	94,625
Reinsurers' share of claims incurred but not reported	7a	**20,802**	20,530
Deferred policy acquisition costs	7d	**25,618**	20,117
Deferred excess of loss premiums		**83**	-
Available-for-sale investments	8	**161,626**	116,558
Investment held to maturity	9	**19,724**	10,000
Prepayments and other assets	10	**56,479**	26,789
Property and equipment	11	**4,846**	2,101
Statutory deposit	12	**75,000**	75,000
Accrued commission income on statutory deposit	12	**10,167**	9,695
TOTAL ASSETS		**1,306,340**	1,318,044

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December

	Note	2021	2020
		SR (000)	
LIABILITIES			
Policyholders claims payable		**33,535**	54,955
Accrued and other liabilities	13	**94,761**	68,917
Reinsurance balances payable		**25,809**	6,840
Unearned premiums	7b	**427,085**	330,974
Unearned reinsurance commission	7c	**3,488**	4,001
Outstanding claims	7a	**59,549**	94,353
Claims incurred but not reported (IBNR)	7a	**209,110**	197,889
Additional premium reserve	7a	**28,412**	39,637
Other technical reserves	7a	**4,432**	3,664
Accrued reinsurance balance		**-**	2,409
Due to related parties	21	**2**	1
Employees' end-of-service benefits	14	**20,154**	18,209
Accumulated surplus		**1,008**	5,666
Provision for zakat	15	**17,252**	20,374
Accrued commission income payable to SAMA	12	**10,167**	9,695
TOTAL LIABILITIES		**934,764**	857,584
EQUITY			
Share capital	16	**500,000**	500,000
Statutory reserve	17	**2,131**	2,131
Accumulated losses		**(120,408)**	(34,748)
Fair value reserve for available-for-sale investments		**529**	673
Re-measurement reserve of defined benefit obligation		**(10,676)**	(7,596)
TOTAL EQUITY		**371,576**	460,460
TOTAL LIABILITIES AND EQUITY		**1,306,340**	1,318,044

COMMITMENTS AND CONTINGENCIES 23

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2021

	Note	2021	2020
		SR (000)	
REVENUES			
Gross premiums written	7b	**942,107**	781,568
Reinsurance premiums ceded			
- Local		**(4,823)**	(5,065)
- International (includes premium ceded through local broker)		**(45,640)**	(54,705)
		(50,463)	(59,770)
Excess of loss expenses		**(14,257)**	(18,890)
Net premiums written		**877,387**	702,908
Movement in unearned premiums, net		**(98,675)**	17,085
Net premiums earned	7b	**778,712**	719,993
Reinsurance commissions	7c	**8,322**	15,052
Other underwriting income		**1,016**	4,996
NET REVENUES		**788,050**	740,041
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(733,914)**	(600,381)
Reinsurers' share of claims paid		**16,848**	47,652
Net claims paid		**(717,066)**	(552,729)
Movement in outstanding claims, net		**30,310**	18,614
Movement in IBNR, net		**(10,949)**	(24,941)
Movement in additional premium reserve		**11,225**	(22,323)
Movement in other technical reserve		**(768)**	(59)
Net claims incurred		**(687,248)**	(581,438)
Policy acquisition costs	7d	**(65,830)**	(78,930)
Other underwriting expenses		**(21,003)**	-
TOTAL UNDERWRITING COSTS AND EXPENSES		**(774,081)**	(660,368)
NET UNDERWRITING INCOME		**13,969**	79,673

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME (continued)
For the year ended 31 December 2021

	Note	2021	2020
		SR (000)	
Net underwriting income brought forward		**13,969**	79,673
OTHER INCOME/(EXPENSES), NET			
Provision for doubtful debts	6	**(7,046)**	(3,154)
Salaries and staff related costs	19	**(75,150)**	(75,695)
Other general and administrative expenses	20	**(45,546)**	(36,722)
Investment income		**30,394**	32,742
Other income		**10,529**	25,591
Reversal of impairment on available for sale investments	8	**-**	238
TOTAL OTHER INCOME/(EXPENSES), NET		**(86,819)**	(57,000)
Net (loss)/income for the year		**(72,850)**	22,673
Net income attributed to insurance operations		**-**	-
Net (loss)/ income for the year attributable to shareholders before zakat		**(72,850)**	22,673
Zakat charge for the year	15	**(12,810)**	(15,125)
Net (loss)/ income for the year attributable to shareholders		**(85,660)**	7,548
Loss/earnings per share	18		
Basic and diluted earnings per share (Saudi Riyals)		**(1.71)**	0.15
Weighted average number of shares in issue throughout the year (thousands)		**50,000**	50,000

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	SR (000)	
Net (loss) / income for the year attributable to shareholders	**(85,660)**	7,548
Other comprehensive income:		
Items that may be reclassified to statements of income in subsequent years		
-Change in fair value of available-for-sale investments (note 8)	**2,768**	11,562
-Realised gain transferred to statement on income (note 8)	**(2,912)**	(11,523)
Items that will not be reclassified to statements of income in subsequent years		
-Re-measurement loss on end of service benefits	**(3,080)**	(2,556)
Total other comprehensive loss	**(3,224)**	(2,517)
Total comprehensive (loss)/income for the year attributable to shareholders	**(88,884)**	5,031
Net income attributable to insurance operations	-	-
Other comprehensive income	-	-
Total comprehensive income attributable to insurance operations	-	-
Total comprehensive (loss) / income for the year	**(88,884)**	5,031

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for available-for-sale	Re-measurement loss on end of service	Total equity
			(SR 000)			
Balance at 01 January 2021	**500,000**	**2,131**	**(34,748)**	**673**	**(7,596)**	**460,460**
Net loss for the year	-	-	**(85,660)**	-	-	**(85,660)**
Change in fair value of available for sale investment	-	-	-	**2,768**	-	**2,768**
Realised gain transferred to statement on income	-	-	-	**(2,912)**	-	**(2,912)**
Remeasurement loss on defined benefit plan	-	-	-	-	**(3,080)**	**(3,080)**
Other comprehensive income/(loss)	-	-	-	**(144)**	**(3,080)**	**(3,224)**
Total comprehensive income/(loss)	-	-	**(85,660)**	**(144)**	**(3,080)**	**(88,884)**
Balance at 31 December 2021	**500,000**	**2,131**	**(120,408)**	**529**	**(10,676)**	**371,576**
Balance at 01 January 2020	500,000	2,131	(42,296)	634	(5,040)	455,429
Net income for the year	-	-	7,548	-	-	7,548
Change in fair value of available for sale investment	-	-	-	11,562	-	11,562
Realised gain transferred to statement on income	-	-	-	(11,523)	-	(11,523)
Remeasurement loss on defined benefit plan	-	-	-	-	(2,556)	(2,556)
Other comprehensive income/(loss)	-	-	-	39	(2,556)	(2,517)
Total comprehensive income	-	-	7,548	39	(2,556)	5,031
Balance at 31 December 2020	500,000	2,131	(34,748)	673	(7,596)	460,460

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	2021	2020
		SR (000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss) / income for the year before zakat		(72,850)	22,673
Adjustments for non-cash items:			
Depreciation of property and equipment	11	1,954	1,699
Reversal of impairment on available for sale investments	8	-	(238)
Realized gain on disposal of available for sale investment	8	(2,912)	(11,523)
Reversal of zakat provision	15	(5,855)	(7,635)
Provision for employees' end-of-service benefits	14	3,327	2,714
Provision for doubtful debts	6	7,046	3,154
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(25,706)	(19,544)
Reinsurers' share of unearned premiums		2,564	487
Reinsurers' share of outstanding claims		4,495	27,602
Reinsurers' share of claims incurred but not reported		(272)	4,946
Deferred policy acquisition costs		(5,501)	7,214
Deferred excess of loss premiums		(2,492)	2,905
Prepayments and other assets		(29,690)	14,959
Policyholders claims payable		(21,420)	13,909
Accrued and other liabilities		25,844	(18,789)
Reinsurance balances payable		18,969	(4,408)
Unearned premiums		96,111	(17,572)
Unearned reinsurance commission		(513)	(800)
Outstanding claims		(34,804)	(46,216)
Claims incurred but not reported		11,221	19,995
Additional premium reserve		(11,225)	22,323
Other technical reserves		768	59
Accumulated surplus		(4,658)	(3,155)
Due to related parties		1	(1)
Cash (used in) / from operating activities		(45,598)	14,758
Zakat paid	15	(10,077)	(19,336)
Employees' end-of-service benefits paid	14	(4,462)	(1,305)
Net cash used in operating activities		(60,137)	(5,883)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in murabaha deposits		36,171	474,716
Additions of property and equipment		(4,699)	(462)
Additions of investment held to maturity		(9,724)	(10,000)
Additions of available for sale investments	8	(71,851)	(165,336)
Proceed from disposal of available-for-sale investments	8	29,551	96,765
Net cash (used in) / from investing activities		(20,552)	395,683
Net change in cash and cash equivalents		(80,689)	389,800
Cash and cash equivalents at the beginning of the year	4	560,070	170,270
Cash and cash equivalents at the end of the year	4	479,381	560,070
Non-cash transactions:			
Change in fair value of available-for-sale investments		2,768	11,562
Investment return on statutory deposit		472	1,571
Remeasurement loss on defined benefit obligation		3,080	2,556

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

The accompanying notes 1 to 28 form an integral part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

Statement of compliance

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

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

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

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

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

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

(b) Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is also the functional currency of the Company.

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

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

The estimate and judgments used by management in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2020. Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

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

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

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

2 BASIS OF PREPARATION (continued)

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

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

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

iv) Deferred policy acquisition costs

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

v) Additional premium reserve

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	January 1, 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
IFRS 3	Definition of business	January 1, 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020	A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.
IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020 and earlier application is permitted.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 17 - Insurance Contracts

Overview

This standard has been published in May, 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

i- embedded derivatives, if they meet certain specified criteria;
ii- distinct investment components; and
iii- any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following "building blocks":

a) the fulfilment cash flows (FCF), which comprise:
   i. probability-weighted estimates of future cash flows,
   ii. an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   iii. a risk adjustment for non-financial risk;
b) the Contractual Service Margin (CSM) - The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re- measured to be the sum of:

i. the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
ii. the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 17 - Insurance Contracts (continued)

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, the CSM is also adjusted for:

i. the entity's share of the changes in the fair value of underlying items
ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement Model for the group of contracts or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2020 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after January 1, 2023. This is a deferral of 2 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance together with amendments to presentation and disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 17 - Insurance Contracts (continued)

Impact

The Company has completed operational and financial gap analysis and currently is in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress made so far by the Company:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company has finalized designing operational aspects of implementation activities in phase 3 and submitted to SAMA, presently company is in phase 4 and in the process of implementing the activities planned in design phase includes establishing comprehensive data policy and data dictionary. The Company has finalized Pranalytix as IFRS 17 vendor solution.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. All the policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with its other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

The Company has completed its first dry run based on certain assumptions and operational simplicity. The Company has planned for second dry run for which the deadline is May 31, 2022. Based on the second dry run, management shall evaluate the results and take action accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d. IFRS 9 – Financial Instruments

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

1) Classification and measurement:

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

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

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

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

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

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

2) Impairment:

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

3) Hedge accounting:

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) IFRS 9 – Financial Instruments (continued)

Effective date

The published effective date of IFRS 9 was 1st January 2019. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th September, 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17– Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
   i. the effective date of a new insurance contract standard; or
   ii.

   annual reporting periods beginning on or after January 1, 2021 (The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to January 1, 2022). Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the

The Company has performed a detailed assessment beginning February, 2020:

1. The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
2.

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

Impact assessment

As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SR 700 million and 370 million, respectively (2020: 815 million and SR 352 million). Other financial assets consist of available for sale investments amounting to SR 162 million (2020: SR 117 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Other financial assets excluding available for sale investments have a fair value of SR 75 million as at December 31, 2021 (2020: SR 34 million) with no fair value change during the year. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 22.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) IFRS 9 – Financial Instruments (continued)

The Company financial assets have low credit risk as at December 31, 2021 and 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

The significant accounting policies used in preparing these financial statements are set out below have been consistently applied unless otherwise mentioned:

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

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

Premiums and reinsurers' receivable - net
Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in “General and administrative expenses” in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivable balances are disclosed in note 7 fall under the scope of IFRS-4 "Insurance Contract".

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

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 amortization period and are treated as a change in accounting estimate.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test

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

Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and statement of comprehensive income.

Realized gains or losses on sale of these investments are reported in the statement of income. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of income.

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

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

Impairment and un-collectability of financial assets

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

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
    - adverse changes in the payment status of issuers or debtors in the Company; or
    - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as

- For assets carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and un-collectability of financial assets (continued)

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

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

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

Financial Liabilities

Initial recognition

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

Classification and subsequent measurement

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

Derecognition of financial instruments

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

Offsetting

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

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

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

Prepayments

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

Property and equipment

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

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

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

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

Statutory deposit

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

Accrued and other liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Employees' end-of-service benefits

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

Short term employee benefits

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

Retirement benefits

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

Zakat and tax

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

Trade date accounting

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

Insurance contracts

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

Accumulated surplus

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Recognition of premium and commission revenue

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

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

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

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

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

Investment income

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

Dividend income

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

Claims

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

Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates.

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported ("IBNR") as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Further, the Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

Salvage and subrogation reimbursement

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts ceded

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

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

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

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

Expense Recognition

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

Impairment of non-financial assets

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

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

Dividend distribution

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on products and services and has eight reportable operating segments and one non-operating reportable segment as follows:

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

Shareholders' Funds is a non-operating segment. Income earned from murabaha deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

4 CASH AND CASH EQUIVALENTS

	2021	2020
	SR (000)	
Insurance operations		
Cash in banks	**37,074**	203,447
Cash on hand	**19**	19
Short term Murabaha deposits	**170,726**	-
	207,819	203,466
Shareholders' operations		
Cash in banks	**141,930**	356,604
Short term Murabaha deposits	**129,632**	-
	271,562	356,604
Total cash and cash equivalent	**479,381**	560,070

Short term Murabaha deposits are maintained with financial institutions and have original maturity of less than three months. The short term Murabaha deposits were subject to an average commission rate of 3.80% per annum as at 31 December 2021.

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

Bank balances and deposits are placed with counter parties with sound credit ratings under Standard and Poor and Moody's' rating methodology (note 22).

5 MURABAHA DEPOSITS

	2021	2020
	SR (000)	
Insurance operations		
Murabaha deposits	**129,113**	165,284
Shareholders' operations		
Murabaha deposits	**-**	-
Total Murabaha deposits	**129,113**	165,284

Murabaha deposits have an original maturity year of more than three months from the date of acquisition. These deposits are subject to an average commission rate of 4.22% per annum as at 31 December 2021 (31 December 2020: 1.57% per annum).

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

Bank balances and deposits are placed with counter parties with sound credit ratings under Standard and Poor and Moody's' rating methodology (note 22).

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	31 December 2021	31 December 2020
	SR (000)	
Policyholders	**233,414**	213,593
Reinsurers	**1,396**	2,330
Insurance companies	**11,581**	10,229
Agents and brokers	**16,067**	10,600
	262,458	236,752
Less:		
Provision for doubtful receivables - policyholders	**(43,287)**	(36,274)
Provision for doubtful receivables - reinsurers	**(287)**	(254)
	(43,574)	(36,528)
Total premium and reinsurance receivables, net	**218,884**	200,224

The movement in the provision for doubtful receivables is as follows:

	2021	2020
	SR (000)	
Balance at the beginning of the year	**36,528**	33,374
Provision for the year	**7,046**	3,154
Balance at the end of the year	**43,574**	36,528

As at 31 December, the aging of receivables were as follows:

2021		**Past due but not impaired**	**Past due and impaired**		
	Total	**Less than 90 days**	**91 - 180 days**	**181 - 360 days**	**More than 360 days**
Policyholders	**233,414**	**155,224**	**23,566**	**12,957**	**41,667**
Reinsurers	**1,396**	**260**	**467**	**331**	**338**
Insurance companies	**11,581**	**3,196**	**1,455**	**4,317**	**2,613**
Agents and brokers	**16,067**	**6,397**	**6,197**	**1,027**	**2,446**
	262,458	**165,077**	**31,685**	**18,632**	**47,064**
2020					
Policyholders	213,593	142,589	14,691	29,388	26,925
Reinsurers	2,330	1,666	319	7	338
Insurance companies	10,229	1,745	1,165	3,049	4,270
Agents and brokers	10,600	8,007	25	91	2,477
	236,752	154,007	16,200	32,535	34,010

7 TECHNICAL RESERVES

a) Outstanding claims and reserves

	2021	2020
	SR (000)	
Gross outstanding claims	**161,562**	175,410
Less: realizable value of salvage and subrogation	**(102,013)**	(81,057)
Outstanding claims	**59,549**	94,353
Claims incurred but not reported (IBNR)	**209,110**	197,889
Additional premium reserves	**28,412**	39,637
Other technical reserves	**4,432**	3,664
	301,503	335,543
Reinsurers' share of outstanding claims	**(90,130)**	(94,625)
Reinsurers' share of claims incurred but not reported	**(20,802)**	(20,530)
	(110,932)	(115,155)
Net outstanding claims and reserves	**190,571**	220,388

b) Unearned premiums

	2021		
	Gross	**Reinsurers' share**	**Net**
	SR (000)		
Unearned premiums at beginning of the year	**330,974**	**(17,051)**	**313,923**
Premiums written during the year	**942,107**	**(64,720)**	**877,387**
Premiums earned during the year	**(845,996)**	**67,284**	**(778,712)**
Unearned premiums at end of the year	**427,085**	**(14,487)**	**412,598**

	2020		
	Gross	Reinsurers' share	Net
	SR (000)		
Unearned premiums at beginning of the year	348,546	(17,538)	331,008
Premiums written during the year	781,568	(78,660)	702,908
Premiums earned during the year	(799,140)	79,147	(719,993)
Unearned premiums at end of the year	330,974	(17,051)	313,923

c) Unearned reinsurance commission

	2021	2020
	SR (000)	
Balance at beginning of the year	**4,001**	4,801
Commission received during the year	**7,810**	14,252
Commission earned during the year	**(8,323)**	(15,052)
Balance at end of the year	**3,488**	4,001

d) Deferred policy acquisition costs

	2021	2020
	SR (000)	
Balance at beginning of the year	**20,117**	27,331
Incurred during the year	**71,331**	71,716
Amortized during the year	**(65,830)**	(78,930)
Balance at end of the year	**25,618**	20,117

8 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2021		31 December 2020	
	SR (000)		SR (000)	
	Insurance operations	**Shareholders' operations**	Insurance operations	Shareholders' operations
Quoted				
Equity shares	**519**	**4,253**	-	9,543
Unquoted				
Funds	**49,595**	**92,075**	53,976	49,239
Equity shares	**11,384**	**3,800**	-	3,800
Total available for sale investments	**61,498**	**100,128**	53,976	62,582

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

Movement in the investments balance is as follows:	**31 December 2021**	31 December 2020
	SR (000)	
Insurance operations		
Balance at beginning of the year	**53,976**	3,372
Addition during the year	**12,669**	50,604
Transfer to shareholder investment during the year	**(1,219)**	-
Disposals during the year	**(5,316)**	-
Unrealized gain on available-for-sale investments	**1,388**	-
Balance at end of the year	**61,498**	53,976

	31 December 2021	31 December 2020
	SR (000)	
Shareholders' operations		
Balance at beginning of the year	**62,582**	32,815
Addition during the year	**57,963**	114,732
Transfer from policyholder investment during the year	**1,219**	-
Disposals during the year	**(20,104)**	(85,242)
Reversal of impairment during the year	**-**	238
Realized gain during the year	**(2,912)**	(11,523)
Unrealized gain on available-for-sale investments	**1,380**	11,562
Balance at end of the year	**100,128**	62,582

9 INVESTMENT HELD TO MATURITY

Movement in the investments balance is as follows:	31 December 2021	31 December 2020
	SR (000)	
Insurance operations		
Balance at beginning of the year	**10,000**	-
Addition during the year	**-**	10,000
Matured during the year	**-**	-
Balance at end of the year	**10,000**	10,000

During the year ending 31 December 2020, the Company invested in sukuk of SR 10 million without any premium or discount which was classified as held to maturity. The sukuk is having maturity of 5 years with coupon rate of 4.5%. The sukuk is offered by a local bank having a sound long term credit ratings of BBB+.

	31 December 2021	31 December 2020
Shareholders' operations	SR (000)	
Balance at beginning of the year	**-**	-
Addition during the year	**9,724**	-
Matured during the year	**-**	-
Balance at end of the year	**9,724**	-

During the year ending 31 December 2021, the Company invested in sukuk of SR 9.7 million without any premium or discount which was classified as held to maturity. The sukuk is offered by local financial institutions having maturity ranging from 1 to 5 years, with coupon rate ranging from 3.5%, to 5% per annum (2020: Nil).

10 PREPAYMENTS AND OTHER ASSETS

	31 December 2021	31 December 2020
	SR (000)	
Advance settlements	**21,396**	13,596
Prepaid employee benefits and others	**3,023**	3,250
Deferred expenses	**20,271**	3,094
Prepaid rent	**1,919**	2,295
Advance to employees	**1,590**	1,562
Accrued commission receivable	**2,652**	1,015
Guarantee deposits (note 23)	**300**	300
Others	**5,328**	1,677
	56,479	26,789

11 PROPERTY AND EQUIPMENT

	2021						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2021*
			----- *SR (000)* -----				
Cost							
1 January	**15,875**	**12,534**	**3,681**	**3,934**	**3,504**	**84**	**39,612**
Additions	**862**	**2,308**	**584**	**10**	**935**	**-**	**4,699**
31 December	**16,737**	**14,842**	**4,265**	**3,944**	**4,439**	**84**	**44,311**
Accumulated depreciation							
1 January	**15,388**	**11,530**	**3,666**	**3,630**	**3,213**	**84**	**37,511**
Charge for the year	**664**	**666**	**318**	**97**	**210**	**-**	**1,954**
31 December	**16,052**	**12,196**	**3,984**	**3,727**	**3,423**	**84**	**39,465**
Net book value:							
31 December	**685**	**2,646**	**281**	**217**	**1,016**	**-**	**4,846**

	2020						
	Leasehold improvements	*Computer hardware*	*Computer software*	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Total 2020*
			----- *SR (000)* -----				
Cost							
1 January	15,875	12,274	3,681	3,849	3,387	84	39,150
Additions	-	260	-	85	117	-	462
31 December	15,875	12,534	3,681	3,934	3,504	84	39,612
Accumulated depreciation							
1 January	14,789	11,073	3,330	3,465	3,071	84	35,812
Charge for the year	599	457	336	165	142	-	1,699
31 December	15,388	11,530	3,666	3,630	3,213	84	37,511
Net book value:							
31 December	487	1,004	15	304	291	-	2,101

12 STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations issued by the SAMA, the Company has deposited 15 percent (31 December 2020: 15 percent) of its share capital, amounting to SR 75 million (31 December 2020: 75 million), in a bank designated by SAMA. The statutory deposit is maintained with a reputed local bank and can be withdrawn only with the consent of SAMA. The Company is not entitled to receive the investment return on this deposit. This investment return is shown as a separate line item in the Statement of Financial Position. Income is accrued on statutory deposit at rate of 0.55% (per annum).

13 ACCRUED AND OTHER LIABILITIES

	2021	2020
	SR (000)	
Commission payable	**18,525**	16,970
Najm uploading fee accrual	**2,430**	5,243
Accrued vacation allowance	**3,842**	3,378
Accrued SAMA inspection fees	**3,140**	3,112
Accrued professional fees	**2,401**	2,322
Accrued CCHI inspection fees	**666**	1,828
Accrued employees' salaries and other benefits	**1,000**	867
Accounts payable - GOSI and others	**605**	745
Provision for withholding tax on reinsurance payments	**-**	-
Other liabilities	**62,152**	34,452
	94,761	68,917

14 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2021	2020
Present value of defined benefit obligation	**20,154**	18,209

Movement of defined benefit obligation

	2021	2020
At the beginning of the year	**18,209**	14,850
Current service cost	**2,618**	2,095
Interest cost	**709**	619
Net benefit expenses	**3,327**	2,714
Benefits paid during the year	**(4,462)**	(1,305)
Actuarial loss from experience adjustments	**3,080**	1,950
At the end of the year	**20,154**	18,209

Principal actuarial assumptions	**2021**	2020
Valuation discount rate	**3.75%**	3.75%
Salary escalation	**5%**	5%

14 EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

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

	2021	2020
	SR (000)	
Discount rate		
- Increase by 50 basis points	**(472)**	(771)
- Decrease by 50 basis points	**550**	844
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**1,058**	814
- Decrease by 1%	**(925)**	(759)

15 PROVISION FOR ZAKAT

a) Zakat payable

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

	2021	2020
	SR (000)	
Share capital	**500,000**	500,000
Adjusted income before Zakat	**32,030**	32,030
Property and equipment, net	**(4,846)**	(2,101)
Adjusted available-for-sale investments	**(161,626)**	(116,558)
Accumulated losses	**(141,437)**	(141,437)
Provision and adjustments	**283,762**	283,762
Estimated Zakat base	**507,883**	555,696

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

	2021	2020
	SR (000)	
Balance at beginning of the year	**20,374**	32,220
Charge for the year	**12,810**	15,125
Reversal of zakat provision	**(5,855)**	(7,635)
Payments during the year	**(10,077)**	(19,336)
Balance at end of the year	**17,252**	20,374

b) Status of assessments

The Company has filed the Zakat return for the year ended December 31, 2020 on the before the deadline of May 2, 2021.

15 PROVISION FOR ZAKAT (continued)

The years from 2007 to 2010: The Zakat, Tax & Customs Authority (“ZATCA”) raised its assessments for those years claiming additional zakat liability of Saudi Riyals 8.7 million and withholding tax liability of Saudi Riyals 12.2 million in addition to the related delay penalties of 1% for each 30 delay days calculated from the due date till settling such due amounts. The Company has filed an appeal against such additional liabilities to ZATCA then the case has been transferred to the Preliminary Appeal Committee ("PAC") which has rejected the major items therefore the Company has submitted a letter of guarantee to ZATCA for zakat, withholding tax and related delay penalties amounting to Saudi Riyals 31.81 million and appealed the PAC ruling to the Higher Appeal Committee ("HAC") which has been replaced by the new tax committees under General Secretary of Tax Committees ("GSTC"). Then the company has submitted a request to the settlement committee at ZATCA and reached to a settlement agreement for those years to settle an amount of Saudi Riyals 3.3 million for zakat and Saudi Riyals 12.2 million for withholding tax. The company has settled such agreed amounts 17 December 2020

The years from 2011 to 2015: The ZATCA raised its assessments for those years claiming additional zakat liability of Saudi Riyals 8 million and withholding tax liability of Saudi Riyals 10.2 million in addition to the related delay penalties of 1% for each 30 delay days calculated from the due date till settling such due amounts. The Company has filed an appeal against such additional liabilities to ZATCA then the case has been transferred to the Preliminary Appeal Committee ("PAC") which has been replaced by the new tax committees under General Secretary of Tax Committees ("GSTC"). Then the company has submitted a request to the settlement committee at ZATCA and reached to a settlement agreement for those years to settle an amount of Saudi Riyals 4.1 million for zakat and Saudi Riyals 10.2 million for withholding tax. The company has settled such agreed amounts 17 December 2020.

The years from 2016 to 2018: On December 27, 2020, the ZATCA raised its assessments for those years claiming additional zakat liability of Saudi Riyals 3.3 million, then the company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the company’s appeal and issued a revised assessment for the company’s favor which resulted an overpaid amount of Saudi Riyals 1.5 million for the company. However, the company has decided to escalate the case to the GSTC and the case still under the GSTC committee study.

The year 2019 & 2020 On September 30, 2021, the Zakat, Tax and Customs Authority ("ZATCA") raised its assessments for those years claiming additional zakat liability of Saudi Riyals 5.2 million, then the company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the company’s appeal and issued a revised assessment through which the additional zakat liability has reduced to Saudi Riyals 4.9 million knowing that the company has already settled along with the appeal an amount of Saudi Riyals 1.3 million which represents 25% of the disputed additional zakat liability as per the original assessment to fulfil the formality conditions of appeal submission stated in the zakat regulations, and the company now in the process of escalating the case to GSTC.

16 SHARE CAPITAL

As at 31 December 2021 and 31 December 2020, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

17 STATUTORY RESERVE

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

18 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year have been calculated by dividing the total net income for the year by the weighted average number of shares in issue throughout the year.

The basic and diluted earning per share are as follows:

	2021	2020
Basic and diluted earnings per share (Saudi Riyals)	**(1.71)**	0.15
Weighted average number of shares throughout the year	**50,000**	50,000

19 SALARIES AND STAFF RELATED COSTS

	2021	2020
	SR (000)	
Basic salaries	**40,163**	37,113
Housing allowances	**9,573**	9,244
Staff bonus	**-**	6,177
Insurance	**5,301**	5,150
Social security charges	**4,201**	4,038
Transportation allowances	**4,001**	3,786
End-of-service benefits (note 13)	**3,318**	2,696
Others	**8,593**	7,491
	75,150	75,695

20 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SR (000)	
Inspection fees	**7,752**	6,634
Occupancy charges	**5,159**	4,829
Professional fees	**5,022**	4,432
IT expenses	**7,384**	3,241
Advertisement and promotion	**4,284**	3,067
Depreciation expense (note 10)	**1,954**	1,699
Communication expenses	**1,361**	1269
Withholding tax	**719**	1,140
Training and development	**599**	427
Office supplies	**199**	333
Others	**11,113**	9,651
	45,546	36,722

21 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management.

	For the year ended	
	2021	2020
Board of Directors' and committees meeting fees	**424**	590
Bonus paid to Board of Directors	**3,726**	3,150

Balances of due to related parties comprise the following:

	2021	2020
	SR (000)	
Claims payable to companies owned by BOD members	**2**	1

Remuneration and compensation of BOD and key management personnel:

2021	**Board members (Non-executives)**	**Key management personnel including CEO and CFO**
	SR (000)	
Salaries and compensation	**-**	**6,869**
Annual remuneration	**3,726**	**-**
End of service indemnities	**-**	**378**
	3,726	**7,247**

2020	Board members (Non-executives)	Key management personnel including CEO and CFO
	SR (000)	
Salaries and compensation	-	6,330
Annual remuneration	3,150	1,188
End of service indemnities	-	363
	3,150	7,881

22 RISK MANAGEMENT

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

Risk Governance

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

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

a) Insurance risk

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

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

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

Frequency and severity of claims

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

22 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Process used to decide on assumptions

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

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

22 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

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

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

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

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact net underwriting

	Change in assumptions	**Increase/ (decrease) in net liabilities**	**Increase/ (decrease) in underwriting surplus**
Ultimate loss ratio			
2021	**+/- 10%**	**77,871**	**77,871**
2020	+/- 10%	71,999	71,999

22 RISK MANAGEMENT (continued)

b) Reinsurance risk

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

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

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

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

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

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

c) Commission rate risk

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

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

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

	2021	2020
	SR (000)	
Increase/(decrease) in commission rates by 100 basis points	**1,291**	1,653

d) Credit risk

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

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

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

22 RISK MANAGEMENT (continued)

d) Credit risk (continued)

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

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

	2021	2020
	SR (000)	
Cash and cash equivalents	**479,381**	560,070
Murabaha deposits	**129,113**	165,284
Premiums and reinsurers' receivable - net	**218,884**	200,224
Reinsurers' share of outstanding claims and reserves	**90,130**	94,625
Available-for-sale investments	**161,626**	116,558
Statutory deposit	**75,000**	75,000
Other assets	**4,542**	2,877
	1,158,676	1,214,638

Credit quality

The credit quality of the financial assets is as follows:

Credit quality	*** Credit Rating**	**2021**	2020
Cash and cash equivalents			
Satisfactory	BBB+	**479,381**	560,070
Murabaha deposits			
Satisfactory	BBB+	**129,113**	165,284
Investments			
Satisfactory	A3 - Baa3	**-**	-
Unrated	Unrated	**161,626**	116,558
		161,626	116,558

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

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

22 RISK MANAGEMENT (continued)

e) Liquidity risk and maturity profiles

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

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

	2021 SR (000)			2020 SR (000)		
FINANCIAL ASSETS	**Less than one year**	**No term**	**Total**	Less than one year	No term	Total
Cash and cash equivalents	**479,381**	**-**	**479,381**	560,070	-	560,070
Murabaha deposits	**129,113**	**-**	**129,113**	165,284	-	165,284
Premiums and reinsurers' receivable - net	**218,884**	**-**	**218,884**	200,224	-	200,224
Reinsurers' share of unearned premiums	**14,487**	**-**	**14,487**	17,051	-	17,051
Reinsurers' share of outstanding claims	**90,130**	**-**	**90,130**	94,625	-	94,625
Reinsurers' share of claims incurred but not reported	**20,802**	**-**	**20,802**	20,530	-	20,530
Deferred policy acquisition costs	**25,618**	**-**	**25,618**	20,117	-	20,117
Deferred excess of loss premiums	**83**	**-**	**83**	-	-	-
Available-for-sale investments	**-**	**161,626**	**161,626**	-	116,558	116,558
Investment held to maturity	**-**	**19,724**	**19,724**	10,000	-	10,000
Statutory deposit	**-**	**75,000**	**75,000**	-	75,000	75,000
Accrued commission income on statutory deposit	**-**	**10,167**	**10,167**	-	9,695	9,695
Other assets	**61,325**	**-**	**61,325**	28,890	-	28,890
	1,039,823	**266,517**	**1,306,340**	1,116,791	201,253	1,318,044
FINANCIAL LIABILITIES						
Policyholders claims payable	**33,535**	**-**	**33,535**	54,955	-	54,955
Accrued and other liabilities	**94,761**	**-**	**94,761**	68,917	-	68,917
Reinsurance balances payable	**25,809**	**-**	**25,809**	6,840	-	6,840
Outstanding claims and reserves	**301,503**	**-**	**301,503**	335,543	-	335,543
Employees' end-of-service benefits	**-**	**20,154**	**20,154**	-	18,209	18,209
Provision for zakat	**17,252**	**-**	**17,252**	20,374	-	20,374
	472,860	**20,154**	**493,014**	486,629	18,209	504,838

22 RISK MANAGEMENT (continued)

f) Currency risk

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

g) Market price risk

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

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

Sensitivity analysis

The sensitivity of the comprehensive income on the assumed changes in the market prices of quoted available-for-sale investments included in the assets for the year ended 31 December 2021 and 2020 is set out below:

2021		2020	
Change in market price	***Impact +/-***	*Change in market price*	*Impact +/-*
+ / - 5%	**239**	+ / - 5%	477
+ / - 10%	**477**	+ / - 10%	954

h) Capital management

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

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

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

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

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

22 RISK MANAGEMENT (continued)

i) Regulatory framework risk

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

Fair value of financial instruments

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

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

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

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

The following table summarizes the financial assets recorded at fair value as of 31 December 2021 and 2020 by level of the fair value hierarchy.

As at 31 December 2021

	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Equity securities	**6,269**	**6,269**	**-**	**-**	**6,269**
Mutual Funds	**55,229**	-	**55,229**	**-**	**55,229**
Shareholders' operations					
Available-for-sale investments					
Equity securities	**4,253**	**4,253**	**-**	**-**	**4,253**
Mutual Funds/Sukuks	**92,075**	**-**	**92,075**	**-**	**92,075**
	157,826	**10,522**	**147,304**	**-**	**151,557**

As at 31 December 2020

	Carrying value	Level 1	Level 2	Level 3	Total
			SR (000)		
Financial assets:					
Insurance operations					
Available-for-sale investments					
Mutual Funds	53,976	-	53,976	-	53,976
Shareholders' operations					
Available-for-sale investments					
Equity securities	13,343	9,543	-	3,800	13,343
Mutual Funds	49,239	-	49,239	-	49,239
	116,558	9,543	103,215	3,800	116,558

The Company has investments amounting to SAR 3.8 million (31 December 2020: SAR 3.8) million in unquoted securities and 41.06 million in Sukuks. These investments have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

22 RISK MANAGEMENT (continued)

j) Operational Risk

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

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

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

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

23 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings and regulations

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

b. Contingent liabilities

The Company's contingent liabilities are as follows:

	2021	2020
	SR (000)	
Letters of guarantee	**20,974**	42,700

24 SEGMENT INFORMATION

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

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

24 SEGMENT INFORMATION (continued)

	For the year ended 31 December 2021				
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Total**
			SR (000)		
Revenues					
Gross premiums written					
-Individuals	**568**	**320,207**	**680**	**-**	**321,455**
-Very small enterprises	**4,395**	**2,480**	**40**	**-**	**6,915**
-Small enterprises	**44,466**	**24,940**	**735**	**-**	**70,141**
-Medium enterprises	**76,515**	**21,506**	**6,091**	**-**	**104,112**
-Corporates	**263,928**	**123,317**	**52,239**	**-**	**439,484**
	389,872	**492,450**	**59,785**	**-**	**942,107**
Reinsurance premiums ceded					
- Local	**-**	**-**	**(4,823)**	**-**	**(4,823)**
- International	**(69)**	**-**	**(45,571)**	**-**	**(45,640)**
	(69)	**-**	**(50,394)**	**-**	**(50,463)**
Excess of loss expenses	**(2,956)**	**(9,081)**	**(2,220)**	**-**	**(14,257)**
Net premiums written	**386,847**	**483,369**	**7,171**	**-**	**877,387**
Movement in unearned premiums, net	**(39,428)**	**(59,524)**	**277**	**-**	**(98,675)**
Net premiums earned	**347,419**	**423,845**	**7,448**	**-**	**778,712**
Reinsurance commissions	**-**	**-**	**8,322**	**-**	**8,322**
Other underwriting income	**296**	**487**	**233**	**-**	**1,016**
Net revenues	**347,715**	**424,332**	**16,003**	**-**	**788,050**
Underwriting costs and expenses					
Gross claims paid	**(276,280)**	**(440,622)**	**(17,012)**	**-**	**(733,914)**
Reinsurers' share of claims paid	**2,114**	**1,696**	**13,038**	**-**	**16,848**
Net claims paid	**(274,166)**	**(438,926)**	**(3,974)**	**-**	**(717,066)**
Movement in outstanding claims, net	**7,270**	**19,038**	**4,002**	**-**	**30,310**
Movement in IBNR, net	**3,683**	**(15,025)**	**393**	**-**	**(10,949)**
Movement in additional premium reser	**6,953**	**5,348**	**(1,076)**	**-**	**11,225**
Movement in other technical reserves	**231**	**388**	**(1,387)**	**-**	**(768)**
Net claims incurred	**(256,029)**	**(429,177)**	**(2,042)**	**-**	**(687,248)**
Policy acquisition costs	**(24,684)**	**(32,767)**	**(8,379)**	**-**	**(65,830)**
Other underwriting expense	**-**	**(20,922)**	**(81)**	**-**	**(21,003)**
Total underwriting costs and expens	**(280,713)**	**(482,866)**	**(10,502)**	**-**	**(774,081)**
Net underwriting income	**67,002**	**(58,534)**	**5,501**	**-**	**13,969**
Unallocated revenue					**40,923**
Unallocated expenses					**(127,742)**
Total income for the year					**(72,850)**

24 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2020				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Revenues					
Gross premiums written					
-Individuals	523	235,863	371	-	236,757
-Very small enterprises	4,062	787	68	-	4,917
-Small enterprises	23,991	10,834	1,586	-	36,411
-Medium enterprises	46,582	8,352	11,303	-	66,237
-Corporates	219,807	145,753	71,686	-	437,246
	294,965	401,589	85,014	-	781,568
Reinsurance premiums ceded					
- Local	-	-	(5,065)	-	(5,065)
- International	(314)	-	(54,391)	-	(54,705)
	(314)	-	(59,456)	-	(59,770)
Excess of loss expenses	(5,088)	(10,865)	(2,937)	-	(18,890)
Net premiums written	289,563	390,724	22,621	-	702,908
Movement in unearned premiums, net	(17,821)	34,597	309	-	17,085
Net premiums earned	271,742	425,321	22,930	-	719,993
Reinsurance commissions	-	-	15,052	-	15,052
Other underwriting income	2,421	363	2,212	-	4,996
Net revenues	274,163	425,684	40,194	-	740,041
Underwriting costs and expenses					
Gross claims paid	(213,165)	(338,050)	(49,166)	-	(600,381)
Reinsurers' share of claims paid	4,028	11,471	32,153	-	47,652
Net claims paid	(209,137)	(326,579)	(17,013)	-	(552,729)
Movement in outstanding claims, net	6,896	14,287	(2,569)	-	18,614
Movement in IBNR, net	(17,502)	(7,105)	(334)	-	(24,941)
Movement in additional premium reser	(5,391)	(16,987)	55	-	(22,323)
Movement in other technical reserves	571	(557)	(73)	-	(59)
Net claims incurred	(224,563)	(336,941)	(19,934)	-	(581,438)
Policy acquisition costs	(18,960)	(51,346)	(8,624)	-	(78,930)
Inspection and supervision fees	-	-	-		-
Total underwriting costs and expenses	(243,523)	(388,287)	(28,558)	-	(660,368)
Net underwriting income	30,640	37,397	11,636	-	79,673
Unallocated revenue					58,571
Unallocated expenses					(115,571)
Total income for the year					22,673

24 SEGMENT INFORMATION (Continued)

	As at 31 December 2021				
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Total**
			SR (000)		
Assets					
Reinsurers' share of outstanding claim	**2,685**	**18,221**	**69,224**	**-**	**90,130**
Reinsurers' share of IBNR	**-**	**-**	**20,802**	**-**	**20,802**
Reinsurers' share of unearned premium	**7**	**-**	**14,480**	**-**	**14,487**
Deferred policy acquisition costs	**10,000**	**13,417**	**2,201**	**-**	**25,618**
Segment assets	**12,692**	**31,638**	**106,707**	**-**	**151,037**
Unallocated assets					**1,155,303**
Total assets					**1,306,340**
Liabilities and equity					
Unearned premiums	**154,739**	**254,500**	**17,846**	**-**	**427,085**
Unearned reinsurance commission	**-**	**-**	**3,488**	**-**	**3,488**
Outstanding claims	**31,935**	**(47,348)**	**74,962**	**-**	**59,549**
Claims incurred but not reported	**34,377**	**152,484**	**22,249**	**-**	**209,110**
Additional premium reserve	**230**	**27,008**	**1,174**	**-**	**28,412**
Other technical reserves	**370**	**2,450**	**1,612**	**-**	**4,432**
Segment liabilities	**221,651**	**389,094**	**121,331**	**-**	**732,076**
Unallocated liabilities and surplus					**202,688**
Total equity					**371,576**
Total liabilities and equity					**1,306,340**

24 SEGMENT INFORMATION (Continued)

	As at 31 December 2020				
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Total
			SR (000)		
Assets					
Reinsurers' share of outstanding claim	1,044	23,897	69,684	-	94,625
Reinsurers' share of IBNR	-	-	20,530	-	20,530
Reinsurers' share of unearned premium	289	-	16,762	-	17,051
Deferred policy acquisition costs	7,774	10,288	2,055	-	20,117
Segment assets	9,107	34,185	109,031	-	152,323
Unallocated assets					1,165,721
Total assets					1,318,044
Liabilities					
Unearned premiums	115,592	194,976	20,406	-	330,974
Unearned reinsurance commission	-	-	4,001	-	4,001
Outstanding claims	37,564	(22,635)	79,424	-	94,353
Claims incurred but not reported	38,060	137,459	22,370	-	197,889
Additional premium reserve	7,183	32,356	98	-	39,637
Other technical reserves	601	2,838	225	-	3,664
Segment liabilities	199,000	344,994	126,524	-	670,518
Unallocated liabilities and surplus					187,066
Total equity					460,460
Total liabilities					1,318,044

25 CLAIMS DEVELOPMENT TABLE

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

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

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

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

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

Claims development table gross of reinsurance (with IBNR) for 2020:

Accident year	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
At end of accident year	5,300,899	1,520,796	1,749,933	726,007	526,238	614,550	589,130	11,027,553
One year later	2,913,112	1,560,835	1,278,788	711,132	496,497	608,519	-	7,568,882
Two years later	2,933,638	1,111,336	1,255,966	709,764	493,509	-	-	6,504,212
Three years later	1,435,745	1,112,176	1,233,431	698,234	-	-	-	4,479,586
Four years later	1,429,933	1,112,811	1,231,495	-	-	-	-	3,774,239
Five years later	1,435,120	1,110,377	-	-	-	-	-	2,545,497
Six years later	1,426,949	-	-	-	-	-	-	1,426,949
Current estimate of cumulative claims	1,426,949	1,110,377	1,231,495	698,234	493,509	608,519	589,130	6,158,214
Cumulative payments to date	(1,417,729)	(1,090,285)	(1,220,436)	(689,540)	(473,108)	(558,353)	(416,522)	(5,865,972)
Gross outstanding claims and IBNR	9,220	20,092	11,060	8,695	20,401	50,166	172,609	292,242

25 CLAIMS DEVELOPMENT TABLE (continued)

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

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

Claims development table net of reinsurance (with IBNR) for 2020:

Accident year	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
At end of accident year	3,694,470	1,427,811	1,716,637	704,249	507,617	545,045	568,448	9,164,277
One year later	2,325,361	1,509,402	1,226,942	657,183	473,137	547,317	-	6,739,342
Two years later	2,355,599	1,069,712	1,192,380	650,166	471,683	-	-	5,739,540
Three years later	1,088,176	1,065,494	1,172,718	651,427	-	-	-	3,977,815
Four years later	1,165,962	1,069,655	1,171,462	-	-	-	-	3,407,079
Five years later	1,165,628	1,067,939	-	-	-	-	-	2,233,567
Six years later	1,159,020	-	-	-	-	-	-	1,159,020
Current estimate of cumulative claims	1,159,020	1,067,939	1,171,462	651,427	471,683	547,317	568,448	5,637,296
Cumulative payments to date	(1,165,560)	(1,059,076)	(1,170,931)	(648,856)	(467,315)	(535,724)	(412,747)	(5,460,209)
Net outstanding claims and IBNR, net	(6,540)	8,863	531	2,571	4,368	11,593	155,701	177,087

26 SUPPLEMENTARY INFORMATION

26.1 statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
	SR (000)					
ASSETS						
Cash and cash equivalents	**207,819**	203,466	**271,562**	356,604	**479,381**	560,070
Murabaha deposits	**129,113**	165,284	**-**	-	**129,113**	165,284
Premiums and reinsurers' receivable - net	**218,884**	200,224	**-**	-	**218,884**	200,224
Reinsurers' share of unearned premiums	**14,487**	17,051	**-**	-	**14,487**	17,051
Reinsurers' share of outstanding claims	**90,130**	94,625	**-**	-	**90,130**	94,625
Reinsurers' share of claims incurred but not reported	**20,802**	20,530	**-**	-	**20,802**	20,530
Deferred policy acquisition costs	**25,618**	20,117	**-**	-	**25,618**	20,117
Deferred excess of loss premiums	**83**	-	**-**	-	**83**	-
Available-for-sale investments	**61,498**	53,976	**100,128**	62,582	**161,626**	116,558
Investment held to maturity	**10,000**	10,000	**9,724**	-	**19,724**	10,000
Prepayments and other assets	**53,932**	26,339	**2,547**	450	**56,479**	26,789
Property and equipment	**4,846**	2,101	**-**	-	**4,846**	2,101
Statutory deposit	**-**	-	**75,000**	75,000	**75,000**	75,000
Accrued commission income on statutory deposit	**-**	-	**10,167**	9,695	**10,167**	9,695
	837,212	813,713	**469,128**	504,331	**1,306,340**	1,318,044
Due (to) / from insurance operations	**-**	-	**(58,804)**	(4,769)	**(58,804)**	(4,769)
TOTAL ASSETS	**837,212**	813,713	**410,324**	499,562	**1,247,536**	1,313,275

26 SUPPLEMENTARY INFORMATION (continued)

26.1 statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
	SR (000)					
LIABILITIES						
Policyholders claims payable	**33,535**	54,955	-	-	**33,535**	54,955
Accrued and other liabilities	**92,720**	67,480	**2,041**	1,437	**94,761**	68,917
Reinsurance balances payable	**25,809**	6,840	-	-	**25,809**	6,840
Unearned premiums	**427,085**	330,974	-	-	**427,085**	330,974
Unearned reinsurance commission	**3,488**	4,001	-	-	**3,488**	4,001
Outstanding claims	**59,549**	94,353	-	-	**59,549**	94,353
Claims incurred but not reported (IBNR)	**209,110**	197,889	-	-	**209,110**	197,889
Additional premium reserve	**28,412**	39,637	-		**28,412**	39,637
Other technical reserves	**4,432**	3,664	-	-	**4,432**	3,664
Accrued reinsurance balance	-	2,409	-	-	-	2,409
Due to related parties	**2**	1	-	-	**2**	1
Employees' end-of-service benefits	**20,154**	18,209	-	-	**20,154**	18,209
Accumulated surplus	**1,008**	5,666	-		**1,008**	5,666
Provision for zakat	-	-	**17,252**	20,374	**17,252**	20,374
Accrued commission income payable to SAMA	-	-	**10,167**	9,695	**10,167**	9,695
	905,304	826,078	**29,460**	31,506	**934,764**	857,584
Due (from) / to shareholders' operations	**(58,804)**	(4,769)	-	-	**(58,804)**	(4,769)
TOTAL LIABILITIES	**846,500**	821,309	**29,460**	31,506	**875,960**	852,815
EQUITY						
Share capital	-	-	**500,000**	500,000	**500,000**	500,000
Statutory reserve	-	-	**2,131**	2,131	**2,131**	2,131
Accumulated losses	-	-	**(120,408)**	(34,748)	**(120,408)**	(34,748)
Fair value reserve for available-for-sale investments	**1,388**	-	**(859)**	673	**529**	673
Re-measurement reserve of defined benefit obligation	**(10,676)**	(7,596)	-	-	**(10,676)**	(7,596)
TOTAL EQUITY	**(9,288)**	(7,596)	**380,864**	468,056	**371,576**	460,460
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**837,212**	813,713	**410,324**	499,562	**1,247,536**	1,313,275

26 SUPPLEMENTARY INFORMATION (continued)

26.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
REVENUES						
Gross premiums written	**942,107**	781,568	**-**	-	**942,107**	781,568
Reinsurance premiums ceded						
- Local	**(4,823)**	(5,065)	**-**	-	**(4,823)**	(5,065)
- International (includes premium ceded through local broker)	**(45,640)**	(54,705)	**-**	-	**(45,640)**	(54,705)
	(50,463)	(59,770)	**-**	-	**(50,463)**	(59,770)
Excess of loss expenses	**(14,257)**	(18,890)	**-**	-	**(14,257)**	(18,890)
Net premiums written	**877,387**	702,908	**-**	-	**877,387**	702,908
Movement in unearned premiums, net	**(98,675)**	17,085	**-**	-	**(98,675)**	17,085
Net premiums earned	**778,712**	719,993	**-**	-	**778,712**	719,993
Reinsurance commissions	**8,322**	15,052	**-**	-	**8,322**	15,052
Other underwriting income	**1,016**	4,996	**-**	-	**1,016**	4,996
NET REVENUES	**788,050**	740,041	**-**	-	**788,050**	740,041
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(733,914)**	(600,381)	**-**	-	**(733,914)**	(600,381)
Reinsurers' share of claims paid	**16,848**	47,652	**-**	-	**16,848**	47,652
Net claims paid	**(717,066)**	(552,729)	**-**	-	**(717,066)**	(552,729)
Movement in outstanding claims, net	**30,310**	18,614	**-**	-	**30,310**	18,614
Movement in IBNR, net	**(10,949)**	(24,941)	**-**	-	**(10,949)**	(24,941)
Movement in additional premium reserve	**11,225**	(22,323)	**-**	-	**11,225**	(22,323)
Movement in other technical reserve	**(768)**	(59)	**-**	-	**(768)**	(59)
Net claims incurred	**(687,248)**	(581,438)	**-**	-	**(687,248)**	(581,438)
Policy acquisition costs	**(65,830)**	(78,930)	**-**	-	**(65,830)**	(78,930)
Other underwriting expenses	**(21,003)**	-	**-**	-	**(21,003)**	-
TOTAL UNDERWRITING COSTS AND EXPENSES	**(774,081)**	(660,368)	**-**	-	**(774,081)**	(660,368)
NET UNDERWRITING INCOME	**13,969**	79,673	**-**	-	**13,969**	79,673

26 SUPPLEMENTARY INFORMATION (continued)

26.2 statement of income (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Net underwriting income brought forward	**13,969**	79,673	**-**	-	**13,969**	79,673
OTHER INCOME/(EXPENSES)						
Provision for doubtful debts	**(7,046)**	(3,154)	**-**	-	**(7,046)**	(3,154)
Salaries and staff related costs	**(75,150)**	(75,695)	**-**	-	**(75,150)**	(75,695)
Other general and administrative expenses	**(40,796)**	(32,725)	**(4,750)**	(3,997)	**(45,546)**	(36,722)
Investment income	**13,631**	9,713	**16,763**	23,029	**30,394**	32,742
Other income	**4,674**	17,956	**5,855**	7,635	**10,529**	25,591
Reversal of impairment on available for sale investments	**-**	-	**-**	238	**-**	238
TOTAL OTHER INCOME/(EXPENSES)	**(104,687)**	(83,905)	**17,868**	26,905	**(86,819)**	(57,000)
Net (loss)/income for the year	**(90,718)**	(4,232)	**17,868**	26,905	**(72,850)**	22,673
Surplus attributed to insurance operations	**-**	-	**-**	-	**-**	-
Net (loss)/income attributable to shareholders before zakat	**(90,718)**	(4,232)	**17,868**	26,905	**(72,850)**	22,673
Zakat charge for the year	**-**	-	**(12,810)**	(15,125)	**(12,810)**	(15,125)
Net (loss)/income attributable to shareholders' operations	**(90,718)**	(4,232)	**5,058**	11,780	**(85,660)**	7,548

26 SUPPLEMENTARY INFORMATION (continued)

26.3 statement of comprehensive income

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Net (loss)/income for the year after zakat	**-**	-	**(85,660)**	7,548	**(85,660)**	7,548
Other comprehensive income:						
Items that may be reclassified to statements of income in subsequent years						
- Change in fair value of available-for-sale investments	**1,388**	-	**1,380**	11,562	**2,768**	11,562
- Realized gain transferred to statement of income	**-**	-	**(2,912)**	(11,523)	**(2,912)**	(11,523)
Items that will not be reclassified to statements of income in subsequent years						
- Re-measurement loss on defined benefit plan	**(3,080)**	(2,556)	**-**	-	**(3,080)**	(2,556)
Total comprehensive (loss)/income for the year	**(1,692)**	(2,556)	**(87,192)**	7,587	**(88,884)**	5,031
Total comprehensive income attributable to insurance operations	**-**	-	**-**	-	**-**	-
Total comprehensive(loss)/ income attributable to shareholders	**(1,692)**	(2,556)	**(87,192)**	7,587	**(88,884)**	5,031

26 SUPPLEMENTARY INFORMATION (continued)

26.4 statement of cash flows (continued)

	For the year ended 31 December (SR '000)					
	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Total (loss) / income for the year before zakat	-	-	**(72,850)**	22,673	**(72,850)**	22,673
Adjustments for non-cash items:						
Depreciation of property and equipment	**1,954**	1,699	-	-	**1,954**	1,699
Amortization of intangible assets			-	-	-	-
Reversal of impairment on available for sale investments	-	-		(238)	-	(238)
Realized gain on disposal of available for sale investment	-	-	**(2,912)**	(11,523)	**(2,912)**	(11,523)
Reversal of zakat provision	-	-	**(5,855)**	(7,635)	**(5,855)**	(7,635)
Provision for employees' end-of-service benefits	**3,327**	2,714	-	-	**3,327**	2,714
Provision for doubtful debts	**7,046**	3,154	-	-	**7,046**	3,154
Changes in operating assets and liabilities:			-			
Premiums and reinsurers' receivable	**(25,706)**	(19,544)	-	-	**(25,706)**	(19,544)
Reinsurers' share of unearned premiums	**2,564**	487	-	-	**2,564**	487
Reinsurers' share of outstanding claims	**4,495**	27,602	-	-	**4,495**	27,602
Reinsurers' share of claims incurred but not reported	**(272)**	4,946	-	-	**(272)**	4,946
Deferred policy acquisition costs	**(5,501)**	7,214	-	-	**(5,501)**	7,214
Deferred excess of loss premiums	**(2,492)**	2,905	-	-	**(2,492)**	2,905
Prepayments and other assets	**(27,593)**	9,936	**(2,097)**	5,023	**(29,690)**	14,959
Policyholders claims payable	**(21,420)**	13,909	-	-	**(21,420)**	13,909
Accrued and other liabilities	**25,240**	(19,690)	**604**	901	**25,844**	(18,789)
Reinsurance balances payable	**18,969**	(4,408)	-	-	**18,969**	(4,408)
Unearned premiums	**96,111**	(17,572)	-	-	**96,111**	(17,572)
Unearned reinsurance commission	**(513)**	(800)	-	-	**(513)**	(800)
Outstanding claims	**(34,804)**	(46,216)	-	-	**(34,804)**	(46,216)
Claims incurred but not reported	**11,221**	19,995	-	-	**11,221**	19,995
Additional premium reserve	**(11,225)**	22,323	-	-	**(11,225)**	22,323
Other technical reserves	**768**	59	-	-	**768**	59
Accumulated surplus	**(4,658)**	(3,155)	-	-	**(4,658)**	(3,155)
Due to related parties	**1**	(1)	-	-	**1**	(1)
Cash from (used in) operating activities	**37,512**	5,557	**(83,110)**	9,201	**(45,598)**	14,758

26 SUPPLEMENTARY INFORMATION (continued)

26.4 statement of cash flows (continued)

		For the year ended 31 December (SR '000)					
		Insurance Operations		Shareholders' Operations		Total	
	Note	**2021**	2020	**2021**	2020	**2021**	2020
Surplus paid to policy holders		**-**	-	**-**	-	**-**	-
Zakat paid		**-**	-	**(10,077)**	(19,336)	**(10,077)**	(19,336)
Employees' end-of-service benefits paid		**(4,462)**	(1,305)	**-**	-	**(4,462)**	(1,305)
Net cash from (used in) operating activities		**(20,985)**	(29,154)	**(39,152)**	23,271	**(60,137)**	(5,883)
CASH FLOWS FROM INVESTING ACTIVITIES							
Decrease/(increase) in murabaha deposits		**36,171**	194,716	**-**	280,000	**36,171**	474,716
Additions of property and equipment		**(4,699)**	(462)	**-**	-	**(4,699)**	(462)
Additions of investment held to maturity		**-**	(10,000)	**(9,724)**	-	**(9,724)**	(10,000)
Additions of available for sale investments		**(12,669)**	(50,604)	**(59,182)**	(114,732)	**(71,851)**	(165,336)
Proceed from disposal of available-for-sale investments	8	**6,535**	-	**23,016**	96,765	**29,551**	96,765
Net cash from/(used in) investing activities		**25,338**	133,650	**(45,890)**	262,033	**(20,552)**	395,683
CASH FLOWS FROM FINANCING ACTIVITY							
Due to shareholders' operations, net				**-**	-	**-**	-
Net cash (used in) from financing activity		**-**	-	**-**	-	**-**	-
Net change in cash and cash equivalents		**4,353**	104,496	**(85,042)**	285,304	**(80,689)**	389,800
Cash and cash equivalents at the beginning of the year	4	**203,466**	98,970	**356,604**	71,300	**560,070**	170,270
Cash and cash equivalents at the end of the year	4	**207,819**	203,466	**271,562**	356,604	**479,381**	560,070

27 COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation to these financial statements.

28 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on Sha'ban 4, 1443 H (corresponding to March 7, 2022).