SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Financial Statements
And Independent Auditors' Report
For the year ended 31 December 2021

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

Financial Statements and Independent Auditors' Report
For the year ended 31 December 2021

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
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P.O Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
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P.O Box 1561
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the 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.

Material Uncertainty

We draw attention to note 3 in the financial statements, which indicates that the Company incurred accumulated losses amounting to SR 158.8 million being 63.51% of its capital (31 December 2020: SR 46.40 million being 18.54% of its capital). The solvency of the Company as of 31 December 2021 has reached 73.52%. On 17 March 2022, the Board of Directors in their meeting have recommended a decrease in the Company's capital through netting-off with the accumulated losses with a total value of SR 150 million and utilize the entire balance of the statutory reserve of SR 5 million. As stated in note 3, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The financial statements of the Company for the year ended 31 December 2020 have been audited by another auditor who expressed a qualified opinion on these financial statements on 8 April 2021 (26 Sha'baan 1442H). The reason of a qualified opinion was inability to obtain sufficient appropriate evidence in respect of other receivable balance, amounting to SAR 15.1 million as of December 31, 2020, because of accounting system processing differences related to the insurance operations due to the difficulties in the implementation of the new IT system.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Key Audit Matter	How our audit addressed the key audit matters
Valuation of ultimate claim liabilities arising from insurance contracts	
As at 31 December 2021, outstanding claims including claims Incurred but Not Reported (IBNR), premium deficiency reserve and other technical reserves amounted to Saudi Riyals 161,334 thousands as disclosed in notes 8 and 14 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Due to the estimation uncertainty and subjectivity involved, assumptions used in the assessment of valuation of ultimate claim liabilities arising from insurance contracts and magnitude of the total balance, we have considered this as a key audit matter. Refer to notes 2 and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgements and estimates.	We understood, evaluated and tested key controls around the claims handling and provision setting processes. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. In obtaining sufficient audit evidence to assess the integrity of data used as inputs in to the actuarial valuations, we tested the completeness and accuracy of the underlying data used in estimating the technical insurance reserves by performing reconciliations of the underlying data to the financial ledger and the actuarial data used by the Company's appointed actuary while calculating the reserves. In order to challenge management's methodologies and assumptions, we were assisted by our actuarial 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 actuarial expert performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practice and with prior periods. We sought sufficient justification for any significant differences.

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INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
	- Assessed the reasonableness of key actuarial assumptions and judgements used by the Management in calculating the reserves. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. - We assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Information Included in the Company's 2021 Annual Report

The Board of Directors (the "BOD") is responsible for the other information. Other information comprises the information included in the Company's 2021 annual report but does not include 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 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.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF SALAMA COOPERATIVE INSURANCE COMPANY
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on other legal and regulatory requirement

Based on the information that has been made available to us, and as disclosed in Note 4, the Company's accumulated losses have reached 63.51% of its share capital and solvency margin has reached 73.52% as at 31 December 2021. Based on these conditions following regulations are applicable to the Company:

1. Article 150 of the Companies Law (Law) requires the Company executives or the auditors', upon knowledge thereof, to inform the chairman of the Board of Director (Board), who shall promptly inform the Board members. The Board shall, within 15 days from the date of notification, call for an extraordinary general assembly meeting within 45 days from the date of its knowledge of the losses, to decide whether to increase or decrease the Company's capital, in accordance with the provisions of the Law, to the extent where losses are decreased below half of the paid-in capital, or to dissolve the Company prior to the date set forth in its articles of association. As per the decision no 348 of The Ministry of Commerce, the above requirement of 15 and 45 days has been extended to 60 and 180 days respectively.
2. Under Article 68(b) of the Implementing regulations for the Insurance Company, the Company shall restore, in a period not exceeding the next financial quarter, its solvency margin when it falls between the ranges of 50% to 75% of the required solvency margin.

For Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Salman B. AlSudairy
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For Al-Bassam & Co.
Certified Public Accountants

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337

25 Sha'aban 1443H
Corresponding to 28 March 2022
Jeddah, Kingdom of Saudi Arabia

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

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

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 December 2021	31 December 2020 (Restated)
		SR'000	
ASSETS			
Cash and cash equivalents	4	**124,016**	159,246
Term deposits	5	**97,000**	148,318
Premiums and reinsurers' receivable – net	6	**54,672**	40,896
Reinsurers' share of unearned premiums	14.2	**25,555**	23,270
Reinsurers' share of outstanding claims	8 & 14.1	**19,975**	20,910
Reinsurers' share of claims incurred but not reported	8 & 14.1	**13,866**	11,782
Deferred policy acquisition costs	7	**27,707**	21,020
Investments	9	**168,453**	168,874
Prepaid expenses and other assets	10	**19,154**	42,232
Right of use assets – net	13.1	**18,231**	21,927
Property and equipment – net	11	**4,107**	7,150
Intangible assets – net	12	**418**	4,539
Statutory deposit	15	**37,500**	37,500
Accrued commission on statutory deposit	15	**3,887**	3,668
TOTAL ASSETS		**614,541**	711,332
LIABILITIES			
Policyholders claims payable		**11,421**	13,522
Accrued expenses and other liabilities	17	**35,982**	30,365
Lease liabilities	13.2	**20,335**	19,922
Reinsurers' balances payable	34	**984**	4,429
Unearned premiums	14.2	**228,830**	218,302
Unearned reinsurance commission	18	**4,351**	3,733
Outstanding claims	14.1	**22,859**	27,754
Claims incurred but not reported	14.1	**123,883**	121,706
Premium deficiency reserve	14.1	**6,700**	-
Other technical reserves	14.1 & 19	**7,892**	3,096
Employee benefit obligations	20	**7,895**	9,701
Surplus distribution payable	25 & 34	**15,409**	15,409
Provision for zakat	24	**27,629**	31,131
Accrued commission income payable to SAMA	15	**3,887**	3,668
TOTAL LIABILITIES		**518,057**	502,738
SHAREHOLDERS' EQUITY			
Share capital	26	**250,000**	250,000
Statutory reserve		**5,003**	5,003
Accumulated losses		**(158,767)**	(46,357)
TOTAL SHAREHOLDERS' EQUITY		**96,236**	208,646
Re-measurement reserve of defined benefit obligations – related to insurance operations		**248**	(52)
TOTAL EQUITY		**96,484**	208,594
TOTAL LIABILITIES AND EQUITY		**614,541**	711,332
COMMITMENTS AND CONTINGENCIES	16	**10,200**	10,200

Chief Executive Officer

Chairman

Chief Financial Officer

The accompanying notes from 1 to 35 form an integral part of these financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020 (Restated)
		SR'000	
REVENUES			
Gross premiums written	14.2	**467,531**	427,623
Reinsurance premiums ceded			
- Local		**(6,660)**	(1,087)
- Foreign		**(45,690)**	(44,565)
	14.2	**(52,350)**	(45,652)
Excess of loss expenses			
- Local		**(2,694)**	(1,353)
- Foreign	34	**(4,905)**	(18,046)
	14.2	**(7,599)**	(19,399)
Net premiums written	14.2	**407,582**	362,572
Changes in unearned premiums, net		**(8,243)**	12,788
Net premiums earned	14.2	**399,339**	375,360
Reinsurance commissions	18	**8,425**	6,967
Other underwriting income		**675**	5,680
TOTAL REVENUES		**408,439**	388,007
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	8	**390,048**	347,288
Reinsurers' share of claims paid	8	**(37,599)**	(35,133)
Net claims paid		**352,449**	312,155
Changes in outstanding claims, net		**(3,960)**	(23,364)
Changes in claims incurred but not reported, net		**93**	(8,389)
Net claims incurred	8	**348,582**	280,402
Changes in premium deficiency reserve		**6,700**	(9,782)
Changes in other technical reserves		**4,795**	(3,163)
Policy acquisition costs	7	**22,453**	17,312
Other underwriting expenses		**48,590**	26,444
TOTAL UNDERWRITING COSTS AND EXPENSES		**431,120**	311,213
NET UNDERWRITING (LOSS) / INCOME		**(22,681)**	76,794

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME - Continued
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020 (Restated)
		SR'000	
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for doubtful debts	6	**(7,016)**	(238)
General and administrative expenses	28	**(94,887)**	(82,734)
Investment income		**1,551**	2,077
Commission from held to maturity investments		**1,115**	2,098
Commission income from term deposit		**6,460**	8,087
Realized loss on investments		**(1,170)**	-
Unrealized gain on investments	9	**10,123**	3,620
Other income		**95**	3,220
TOTAL OTHER OPERATING EXPENSES		**(83,729)**	(63,870)
Net (loss) / income before surplus and zakat		**(106,410)**	12,924
Income attributed to the insurance operations		-	(874)
(Loss) / income for the year attributable to the shareholders before zakat		**(106,410)**	12,050
Zakat	24	**(6,000)**	(6,000)
NET (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(112,410)**	6,050
Weighted average number of ordinary shares outstanding (thousands shares)		**25,000**	25,000
Basic and diluted (loss) / earnings per share (SR/share)	29	**(4.50)**	0.24

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR'000	2020 (Restated) SR'000
NET (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(112,410)**	6,050
OTHER COMPREHENSIVE (LOSS) / INCOME			
Items that will not be reclassified to statements of income in subsequent years			
Actuarial gains on defined benefit obligation – related to Insurance operations	20	**300**	748
Total comprehensive (loss) / income for the year		**(112,110)**	6,798

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statement.

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

2021	**Share capital SR'000**	**Statutory reserve SR'000**	**Accumulated losses SR'000**	**Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000**	**Total Equity SR'000**
Balance as at 1 January 2021	**250,000**	**5,003**	**(46,357)**	**(52)**	**208,594**
Total comprehensive loss for the year:					
Net loss for the year – Attributable to shareholders	-	-	**(112,410)**	-	**(112,410)**
Other comprehensive income	-	-	-	**300**	**300**
Total comprehensive loss	-	-	**(112,410)**	**300**	**(112,110)**
Balance as at 31 December 2021	**250,000**	**5,003**	**(158,767)**	**248**	**96,484**

2020	Share capital SR'000	Statutory reserve SR'000	Accumulated losses SR'000	Re-measurement reserve of defined benefit obligations – related to insurance operations SR'000	Total Equity SR'000
Balance as at 1 January 2020	250,000	5,003	(52,407)	(800)	201,796
Total comprehensive income for the year:					
Net income for the year – Attributable to shareholders – (Restated)	-	-	6,050	-	6,050
Other comprehensive income	-	-	-	748	748
Total comprehensive income - Restated	-	-	6,050	748	6,798
Balance as at 31 December 2020	250,000	5,003	(46,357)	(52)	208,594

Chief Executive Officer

Chief Financial Officer

Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements

SALAMA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020 (Restated)
	SR'000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income attributed to shareholders before zakat	(106,410)	12,050
Adjustments for non-cash items:		
Net income attributed to insurance operations	-	874
Depreciation of property and equipment	3,542	5,031
Amortization of intangible assets	4,121	1,765
Depreciation of right-of-use assets	3,853	4,454
Finance cost on lease liabilities	1,333	1,293
Allowance for doubtful debts	7,016	238
Unrealized gain on investments at fair value through statement of income	(10,123)	(3,620)
Realized gain on investments at fair value through statement of income	1,170	-
Employee benefit obligations	1,710	2,106
	(93,788)	24,191
Changes in operating assets and liabilities:		
Premiums and reinsurers' receivable	(20,792)	45,073
Reinsurers' share of unearned premiums	(2,285)	(1,412)
Reinsurers' share of outstanding claims	935	(12,165)
Reinsurers' share of claims Incurred but not reported	(2,084)	491
Deferred policy acquisition costs	(6,687)	(11,987)
Prepaid expenses and other assets	23,078	(23,466)
Accrued commission from statutory deposit	(219)	(340)
Policyholders and claims payable	(2,101)	(421)
Accrued expense and other liabilities	5,617	(669)
Reinsurers' balances payable	(3,445)	(3,382)
Unearned premiums	10,528	(11,376)
Unearned reinsurance commission	618	332
Outstanding claims	(4,895)	(11,199)
Claims incurred but not reported	2,177	(8,880)
Premium deficiency reserves	6,700	(10,224)
Other technical reserves	4,796	(2,721)
Accrued commission income payable to SAMA	219	340
	(81,628)	(27,815)
Zakat paid	(9,502)	-
Employee benefits paid	(3,216)	(1,345)
Net cash flows used in operating activities	(94,346)	(29,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,838)	(81,931)
Proceeds from sale of investments	68,212	13,071
Placement of term deposits	(325,000)	(247,000)
Proceeds from term deposits	376,318	457,165
Purchase of held to maturity investments	(50,000)	-
Proceeds from held to maturity investments	-	21,996
Purchase of property and equipment	(499)	(137)
Net cash flows from investing activities	60,193	163,164
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities	(1,077)	(4,519)
Net cash flows used in financing activities	(1,077)	(4,519)
Net change in cash and cash equivalents	(35,230)	129,485
Cash and cash equivalents, at the beginning of the year	159,246	29,761
Cash and cash equivalents, at the end of the year	124,016	159,246

Chief Executive Officer | Chief Financial Officer | Chairman

The accompanying notes from 1 to 35 form an integral part of these financial statements

1. GENERAL

Salama Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 1121K dated 29 Rabi Al-Thani 1428H (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awwal I428H (corresponding to 23 May 2007).

The registered office address of the Company is:

Salama Tower;
Al Madinah Road
P.O. Box 4020;
Jeddah 21491;
Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

2. BASIS OF PREPARATION

a. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia ("KSA"), and other standards and pronouncements issued by Saudi Organization for Charted and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA")

The financial statement is prepared under the going concern basis and the historical cost convention, except for the measurement of investments (excluding held-to-maturity) at their fair value and re-measurement of employee benefit obligations. The Company's statement of financial position is presented in order of liquidity. Except for property and equipment, right of use assets, intangible assets, statutory deposit, employee benefits, outstanding claims, claims incurred but not reported, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

Similarly, the Company's annual financial statements presented separately the statements of financial position, income, comprehensive income and cash flows for the insurance operations and shareholders operations. 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 and statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented on pages 53 to 59 of the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, 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.

The inclusion of separate information of the insurance operations with the financial information of the Company in the statements of financial position, statement of income, statement of comprehensive income, statement of cash flows as well as certain relevant notes to the financial statements represents additional supplementary information required as required by the implementing regulations.

2. BASIS OF PREPARATION – (continued)

2. BASIS OF PREPARATION – (continued)

a. Basis of presentation – (continued)

During 2018, under the supervision of SAMA, the insurance companies' management prepared and adopted the illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders' operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders' operations are uniform for like transactions and events in similar circumstances.

b. Functional and presentation currency

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

c. Fiscal year

The Company follows a fiscal year ending December 31of each year.

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

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

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

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

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

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

ii) Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

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

v) Useful lives of property and equipment

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

vi) Going concern

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

e. Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented, unless otherwise stated

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

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) and are applicable from January 1, 2021.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform - Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The Company did not identify a material impact as a result of this amendment.

b) Standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	See below
IFRS 9	Financial Instrument	See below
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IAS 8	Definition of Accounting Estimate – Amendment	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	January 1, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

IFRS 17 – Insurance Contracts

Overview

This standard has been published in 18 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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 model is based on the following “building blocks”:

a) the fulfilment cash flows (FCF), which comprise:
   - probability-weighted estimates of future cash flows,
   - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   - 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 remeasured to be the sum of:
   - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
   - 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 but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 - Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 during 2020. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

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 together with amendments to presentation and disclosures.

Impact

The Company has completed the design phase of IFRS 17 implementation in which company has designed and developed 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:

Impact Area	Summary of impact
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company has assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all of the portfolio are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3.
IT Systems	The Company is already in the process of implementing a new upgraded IT solution (Iris) which will facilitate the implementation of IFRS 17.
Impact on RI Arrangements	Detailed assessment has also been performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, company has opted to apply PAA for eligible products.
Impact on Policies & Control Frameworks	The company has updated the Accounting Policies and in the process of updating the Procedures to cover the following new and additional requirements: • Unbundling • Level of aggregation • Measurement models • Risk Adjustment Methodologies • New presentation and disclosure requirements The revised manual to be followed by Finance function to ensure that financial statements are in conformity with International Financial Reporting Standards 17 (IFRS 17) on effective date.
Human resources	The Company has recruited suitably qualified personnel who have a comprehensive understanding of IFRS 17 and also provide trainings to the existing employees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Impact

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 impact
Governance and control	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 designed operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company has finalized architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and is in the process of implementing IFRS 17 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. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
IT Systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

After the design phase, where all the methodologies and policy decisions has been documented and concluded by the Company in last year, the company has started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs and has started the implementation of the IFRS 17 solution, to come up with IFRS 17 numbers by performing the dry runs, on a timely basis. The company was required to prepare the complete set of financial statement under IFRS 17 based on FY 2020 data, and provide comparison between IFRS 17 and IFRS 4 under the first dry run, which was due on November 30th, 2021. The Company has successfully submitted the results as per the 1st dry run.

IFRS 9 – Financial Instruments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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.

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.

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model.

The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 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

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

2. annual reporting periods beginning on or after 01 January 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly connected with insurance and have not applied IFRS 9 previously; or,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

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

The Company has performed a detailed assessment beginning of 1 January 2020 which included below:

1. The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and
2. the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment

As at 31 December, 2021, the Company has total financial assets (including premiums and reinsurers' receivable – net) and insurance related assets amounting to SR 504,682 thousand (2020: 551,077 thousand) and SR 141,775 thousand (2020: 155,328 thousand), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables. Other financial assets consist of available for sale investments amounting to SR 1,923 thousand (2020: 1,923 thousand). 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. Credit risk exposure, concentration of credit risk and credit quality of these assets are mentioned in note 31.

The Company financial assets have low credit risk as at 31 December 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.

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

Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by assessing whether an insured event could cause the Company to pay significant additional benefits. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are principally divided into medical, marine, property, motor, engineering and accident and liability and are principally short-term insurance contracts.

Medical insurance is designed to compensate policy holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Marine insurance is designed to compensate policyholders for damage and liability arising through loss or damage to marine craft/hull and accidents at sea resulting in the total or partial loss of cargoes. For marine insurance, the main risks are loss or damage to marine craft/hull and cargoes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties. Customers could also receive compensation for the loss of earnings through loss of profit and business interruption. For property insurance contracts the main risks are fire, natural perils, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles.

The Company also issues comprehensive motor policies. Various extensions cover natural perils, personal accident benefits and agency repairs.

General accident insurance includes money, fidelity guarantee, personal accident, jeweler block, jewelry all risks and travel insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability, medical malpractice and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types:

(a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs.

(b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and Business Interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

Surplus distribution payable

In accordance with the Implementing Regulations issued by SAMA, the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 11 years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the finance rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate. Generally, the Company uses its incremental financing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the incremental financing cost. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenue Recognition

Recognition of premium

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 (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight line method over the insurance policy coverage except for:

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

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

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for Medical insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the EIR method when accrued.

Investment income

Investment income on debt instruments classified under held to maturity investments and murabaha deposits are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under fair value through statement of income (FVSI) investments is recognized when the right to receive payment is established.

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income as incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The 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 liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Salvage and subrogation

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.

Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and reinsurance receivables

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 as “Allowance for impairment of premium / reinsurance receivables” separately 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. Receivables disclosed in note 6 fall under the scope of IFRS 4 “Insurance contracts”.

Investments

a) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under “Net change in fair value – Available-for-sale investments”. Realized gains or losses on sale of these investments are reported in the related statements of income under “Realized gain / (loss) on investments available for sale investments.”

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income - shareholders’ operations, as part of the net investment income / loss.

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges. Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the Effective Interest Rate “EIR”. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

b) Held as FVSI

Investments in this category are classified if they are held for trading or designated by management as FVSI on initial recognition. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Changes in fair value are recognized in net trading income/loss.

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognized in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Special commission income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in 'rare circumstances'.

c) Held to maturity

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

Reclassification:

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to commission rate or prepayment risk, reflecting the longer-term nature of these investments.

However, sales and reclassifications in any of the following circumstances would not impact the Company's ability to use this classification

- Sales or reclassifications that are so close to maturity that the changes in market rate of commission would not have a significant effect on the fair value
- Sales or reclassifications after the Company has collected substantially all the assets' original principal
- Sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

De-recognition of financial instruments

The de-recognition 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 and the Company has also transferred substantially all risks and rewards of ownership.

Offsetting

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

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.

Impairment of financial assets

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

- ➢ 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of financial assets

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in other comprehensive income. On de-recognition, any cumulative gain or loss previously recognized in other comprehensive income is included in the statement of income under "Realized gain / (loss) on investments available for sale investments."

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 18 months or longer is considered to be prolonged and a decline of 25% from original cost is considered significant as per Company policy. In making this judgment, the Company evaluates, among other factors, the 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.

Intangible assets

Separately acquired intangible assets (mention category) are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortizes intangible assets with a limited useful life using straight-line method over the following periods:

Software	5 years
Licenses	4 years

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.

Land is not depreciated. 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:

Motor vehicle	5 years
Furniture and fixtures	5 years
Computers and office equipment	3 years

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – 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 levels for which there are separately identifiable cash flows (cash-generating units).

Employees benefit obligations

The Company operates an end of service 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 the 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. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity and net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis.

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.

Cash and cash equivalents

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

Term deposits

Term deposits including Murabaha deposits are classified within loans and receivables category as per IAS 39. They are initially recognized at fair value including direct transaction costs and subsequently measured at amortized cost, less provision for impairment in value and are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Cash flow statement

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

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 and comprehensive 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. Foreign exchange gains or losses on available-for- sale investments are recognized in "Other income, net" in the statement of income and statement of comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Operating segments

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 their products and services and has the following reportable segments:

- Medical provides compensation to policy holders for expenses incurred in treatment of a disease, illness or injury.
- Motor provides coverage against losses and liability related to motor vehicles.
- Other includes property, marine, engineering, accident and liability and miscellaneous categories.

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

Statutory reserves

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

Fair values

The fair values of financial assets 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 flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of valuation techniques. The inputs of these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Accounts payable and accruals

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

Provisions

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

Provision for outstanding claims

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

Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

Premium deficiency reserve

Estimation of the premium deficiency is highly sensitive to a number of assumptions as to the future events and conditions. It is based on 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 considers the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future.

Going concern

During the year ended 31 December 2021, the Company has incurred losses amounting to SR 112 million that resulted in an increase of accumulated losses and reaching to 63.50% of its Capital. On 17 March 2022, subsequent to the year ended 31 December 2021, the Board of Directors recommended restructuring the Company's capital in line with Article 150 of the new Companies Law to cover the accumulated losses. The Board of Directors recommended to decrease the accumulated losses by netting-off with the share capital of SR 150 million and utilize the entire balance of SR 5 million from the statutory reserve. The Solvency margin of the Company as at 31 December 2021 is 73.52% which is less than 100% as required by SAMA implementing regulations.

The recommendation to reduce the Company's share capital and statutory reserve is subject to the approval of the related official authorities including SAMA and the Capital Market Authority, and the approval of the extraordinary general assembly.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

4. CASH AND CASH EQUIVALENTS

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

	Insurance operations	
	2021	2020
	SR'000	
Bank balance and cash	**123,527**	47,892

	Shareholders' operations	
	2021	2020
	SR'000	
Bank balances	**489**	111,354

5. TERM DEPOSITS

The term deposits represent deposits held with the commercial banks and earn commission at market rates. These term deposits are denominated in Saudi Arabian Riyals and have an original maturity of more than three-months and less than twelve-months. As of 31 December 2021, the deposit carrying commission rates ranges from 0.95% to 4.2% (2020: from 0.8% to 4%).

	Insurance operations	
	2021	2020
	SR'000	
Term deposits	**97,000**	148,318

6. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivables comprise amounts due from the following:

	2021	2020
	SR'000	
Policyholders	**92,983**	74,563
Receivables from reinsurers	**6,073**	3,701
	99,056	78,264
Provision for doubtful receivables	**(44,384)**	(37,368)
Premiums and reinsurers' receivable – net	**54,672**	40,896

Movement in provision for doubtful debts during the year was as follows:

	2021	2020
	SR'000	
Balance at the beginning of the year	**37,368**	37,130
Provision for the year	**7,016**	238
Balance at the end of the year	**44,384**	37,368

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	Up to three months	**Above three and up to six months**	**Above six and less than twelve months**	**Twelve months and above**	**Total**
			SR'000		
2021	**36,645**	**3,111**	**3,527**	**11,389**	**54,672**
2020	23,072	2,797	3,139	11,888	40,896

Past due but not impaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customers' balances accounted for approximately 21% of this balance as at 31 December 2021 (31 December 2020: 26%). Premiums receivable comprise a large number of customers and insurance companies all within the Kingdom of Saudi Arabia.

7. DEFFERED POLICY ACQUISITION COST

	2021	2020
	SR'000	
Balance at the beginning of the year	**21,020**	9,033
Incurred for the year	**29,140**	29,299
Charge for the year	**(22,453)**	(17,312)
Balance at the end of the year	**27,707**	21,020

8. CLAIMS INCURRED

	2021	2020
	SR'000	SR'000
Gross claims paid	**390,048**	347,288
Gross outstanding claims including IBNR at the end of the year (see note (i) below)	**146,742**	149,460
	536,790	496,748
Gross outstanding claims including IBNR at the beginning of the year	**(149,460)**	(169,539)
Gross claims incurred	**387,330**	327,209
Reinsurance recoveries	**(37,599)**	(35,133)
Reinsurers' share of outstanding claims at the end of the year (see note (ii) below)	**(33,841)**	(32,692)
	(71,440)	(67,825)
Reinsurers' share of outstanding claims at the beginning of the year	**32,692**	21,018
Reinsurers' share of claims	**(38,748)**	(46,807)
Net claims incurred	**348,582**	280,402

(i) Gross outstanding claims as at 31 December 2021 represent the provision for IBNR amounting to SR 146,742 thousands (2020: SR 149,460 thousands).

(ii) Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the reporting date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

CLAIM DEVELOPMENT TABLE

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

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

8. CLAIMS INCURRED – (continued)

CLAIM DEVELOPMENT TABLE – (continued)

31 DECEMBER 2021

Accident year	**2017 & earlier**	**2018**	**2019**	**2020**	**2021**	**Total**
			SR'000			
Estimate of ultimate claims cost:						
At the end of accident year	**584,477**	**517,900**	**589,837**	**446,386**	**402,959**	
One year later	**545,421**	**516,589**	**587,015**	**310,956**	**-**	
Two years later	**538,820**	**512,304**	**437,879**	**-**	**-**	
Three years later	**748,796**	**587,202**	**-**	**-**	**-**	
Four years later	**1,033,943**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims	**1,033,943**	**587,202**	**437,879**	**310,956**	**402,959**	**2,772,939**
Cumulative payments to date	**(1,029,750)**	**(565,413)**	**(430,523)**	**(294,281)**	**(306,230)**	**(2,626,197)**
Liability recognised in statement of financial position	**4,193**	**21,789**	**7,356**	**16,675**	**96,729**	**146,742**

31 DECEMBER 2020

Accident year	2016 & earlier	2017	2018	2019	2020	Total
			SR'000			
Estimate of ultimate claims cost:						
At the end of accident year	635,792	512,589	609,709	453,979	329,956	
One year later	584,477	517,900	589,837	446,386	-	
Two years later	545,421	516,589	587,015		-	
Three years later	538,820	512,304	-	-	-	
Four years later	748,796	-	-	-	-	
Current estimate of cumulative claims	748,796	512,304	587,015	446,386	329,956	2,624,457
Cumulative payments to date	(747,557)	(505,607)	(559,876)	(426,327)	(235,630)	(2,474,997)
Liability recognised in statement of financial position	1,239	6,697	27,139	20,059	94,326	149,460

9. INVESTMENTS

Investments are classified as follows:

	Insurance operations	
	2021	2020
	SR'000	
- Held as FVSI (9-a)	**42,600**	103,021
- Held to maturity (9-c)	**10,000**	10,000
Total	**52,600**	113,021

	Shareholders' operations	
	2021	2020
	SR'000	
- Held as FVSI (9-a)	**58,947**	48,947
- Available for sale (9-b)	**1,923**	1,923
- Held to maturity (9-c)	**54,983**	4,983
Total	**115,853**	55,853

9. INVESTMENTS – (continued)

a) FVSI

Movement in held as FVSI investment balance is as follows:

	Insurance operations	
	2021	2020
	SR'000	
Opening balance	**103,021**	25,926
Purchased during the year	**2,998**	81,931
Disposals during the year	**(64,066)**	(4,644)
	41,953	103,213
Changes in fair value	**647**	(192)
Closing balance	**42,600**	103,021

Details of held as FVSI investment balance is as follows:

	Source of Fair Value	2021	2020
		SR'000	
Investment in equity securities	Quoted	**32,384**	31,661
Units in local Sukuk funds	NAV**	**-**	55,068
Local DPM* money market securities	NAV**	**10,216**	16,292
		42,600	103,021

	Shareholders' operations	
	2021	2020
	SR'000	
Opening balance	**48,947**	53,562
Purchases during the year	**5,840**	-
Disposals during the year	**(5,316)**	(8,427)
	49,471	45,135
Changes in fair value	**9,476**	3,812
Closing balance	**58,947**	48,947

Details of held as FVSI investment balance is as follows:

	Source of Fair Value	2021	2020
		SR'000	
Units in local real estate funds***	NAV**	**9,394**	10,041
Local DPM* money market securities	NAV**	**15,705**	15,705
Local DPM* equity securities	Quoted	**33,848**	23,201
Total		**58,947**	48,947

* Managed at the discretion of a local regulated financial institution ("DPM").

** NAV: Net Asset Value as announced by asset manager.

******* The Company has also invested on behalf of Salama IAIC – UAE. Such investment is not recorded in these financial statements.

9. INVESTMENTS – (continued)

b) Available for sale investments

Movement in available-for-sale investment balance is as follows:

	Shareholders' operations	
	2021	2020
	SR'000	
Opening balance	**1,923**	1,923
Closing balance	**1,923**	1,923

(i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2020: SR 1,923 thousand) are measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

c) Held to maturity investments

Movement in held to maturity investment balance is as follows:

	Insurance operations	
	2021	2020
	SR'000	
Opening balance	**10,000**	18,530
Disposals during the year	**-**	(8,530)
Matured during the year	**-**	-
Closing balance	**10,000**	10,000

	Shareholders' operations	
	2021	2020
	SR'000	
Opening balance	**4,983**	18,449
Purchased during the year	**50,000**	-
Disposals during the year	**-**	(13,466)
Closing balance	**54,983**	4,983

10. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations	
	2021	2020
	SR'000	
Prepayments	**1,504**	2,115
Advances to staff	**2,619**	2,728
Deposits	**300**	300
Accrued commission	**444**	178
Other receivables	**13,914**	36,726
	18,781	42,047

	Shareholders' operations	
	2021	2020
	SR'000	
Other receivables	**373**	185

11. PROPERTY AND EQUIPMENT- NET

	Motor Vehicle	Furniture and fixtures	Computers & Equipment	Total 2021	Total 2020
			SR'000		
Cost:					
1 January	**96**	**18,255**	**16,281**	**34,632**	34,495
Additions	**-**	**222**	**277**	**499**	137
Disposals	**-**	**-**	**-**	**-**	-
31 December	**96**	**18,477**	**16,558**	**35,131**	34,632
Accumulated Depreciation:					
1 January	**58**	**13,095**	**14,329**	**27,482**	22,451
Charge for the year	**22**	**2,243**	**1,277**	**3,542**	5,031
Disposals	**-**	**-**	**-**	**-**	-
31 December	**80**	**15,338**	**15,606**	**31,024**	27,482
Net book value					
31 December 2021	**16**	**3,139**	**952**	**4,107**	-
31 December 2020	38	5,160	1,952	-	7,150

12. INTANGIBLE ASSETS – NET

Software and license	2021	2020
	SR'000	
Cost:		
1 January	**8,850**	8,850
Write-off	**(8,015)**	-
31 December	**835**	8,850
Accumulated Amortization:		
1 January	**4,311**	2,546
Charge for the year	**1,751**	1,765
Additional charge*	**2,370**	-
Write-off	**(8,015)**	-
31 December	**417**	4,311
Net book value:		
31 December 2021	**418**	
31 December 2020		4,539

*As per the Board of Directors approval, the Company charged additional amortization to write off the SAP software. The Company has planned for one readymade core system which can help to achieve strategic advantage for which the SAP software is not considered to be the best option as per the Company.

13. LEASES

13.1 Right of use assets

	2021	2020
	SR'000	
1 January	**21,927**	26,936
Additions during the year	**162**	1,438
Depreciation charge for the year	**(3,853)**	(4,454)
Terminations	**(5)**	(1,993)
Net book value at 31 December	**18,231**	21,927

The depreciation expense was charged to the statement of income within general and administrative expenses.

13.2 Lease liability

The weighted average incremental borrowing rate applied to lease liabilities was 4.4% (2020: 4.4%).

	2021	2020
	SR'000	
Less than one year	**-**	-
One year to five years	**3,234**	2,320
More than five year	**17,101**	17,602
Total lease liability	**20,335**	19,922

Total interest expense on lease liabilities for the year ended 31 December 2021 was SR 1,333 thousands (2020: SR 1,293 thousands).

14. TECHNICAL RESERVE

14.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021	2020
	SR'000	
Gross outstanding claims	**57,225**	56,863
Less: Realizable value of salvage and subrogation	**(34,366)**	(29,109)
Net outstanding claims	**22,859**	27,754
Claims incurred but not reported	**123,883**	121,706
Premium deficiency reserve	**6,700**	-
Other technical reserves	**7,892**	3,096
	161,334	152,556
Less:		
- Reinsurers' share of outstanding claims	**(19,975)**	(20,910)
- Reinsurers' share of claims incurred but not reported	**(13,866)**	(11,782)
	(33,841)	(32,692)
Net outstanding claims and reserves	**127,493**	119,864

14.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2021		
	Gross	**Reinsurance**	**Net**
		SR'000	
Balance as at the beginning of the year	**218,302**	**(23,270)**	**195,032**
Premium written during the year	**467,531**	**(59,949)**	**407,582**
Premium earned during the year	**(457,003)**	**57,664**	**(399,339)**
Balance as at the end of the year	**228,830**	**(25,555)**	**203,275**

	2020		
	Gross	Reinsurance	Net
		SR'000	
Balance as at the beginning of the year	229,678	(21,858)	207,820
Premium written during the year	427,623	(65,051)	362,572
Premium earned during the year	(438,999)	63,639	(375,360)
Balance as at the end of the year	218,302	(23,270)	195,032

15. STATUTORY DEPOSIT

	2021	2020
	SR'000	
Statutory deposit	**37,500**	37,500

As required by Saudi Arabian Insurance Regulations, the Company has deposited an amount equivalent to 15% of its paid up capital amount of SR 37.5 million (2020: SR 37.5 million) in a bank designated by the Saudi Arabian Monetary Authority ("SAMA"). Accrued income on this deposit is payable to SAMA amounting to SR 3.9 million (2020: SR 3.7 million) and this deposit cannot be withdrawn without approval from SAMA.

16. COMMITMENTS AND CONTINGENCIES

a. The Company's commitments and contingencies are as follows:

	2021	2020
	SR'000	
Letters of guarantee in favour of non-government customers	**700**	700
Letters of guarantee in favour of ZATCA	**9,500**	9,500
	10,200	10,200

b. The Company enters into insurance contracts 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 the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.

The Company's bankers have given guarantees to non-government customers amounting to SR 0.7 million (2020: SR 0.7 million) in respect of motor insurance and to Zakat, Tax and Customs Authority amounting to SR 9.5 million (2020: SR 9.5 million) in respect of zakat assessments for years 2008 to 2012. During the year, the Company have settled the liability from 2008 to 2012 and requested ZATCA to release the bank guarantee amounting to SR 9.5 million.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
	SR'000	
Accrued expenses	397	6,704
Payables to brokers and agents	12,032	11,298
Other suppliers and payables	23,553	12,363
	35,982	30,365

18. UNEARNED REINSURANCE COMMISSION

	2021	2020
	SR'000	
Balance at the beginning of the year	3,733	3,401
Commission received during the year	9,043	7,299
Commission earned during the year	(8,425)	(6,967)
	4,351	3,733

19. OTHER TECHNICAL RESERVES

	2021	2020
	SR'000	
Unallocated loss adjustment expense (ULAE)	7,376	3,096
Reinsurance accrual reserve	516	-
	7,892	3,096

20. EMPLOYEE BENEFIT OBLIGATIONS

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 is as follows:

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

	2021	2020
	SR'000	
Present value of defined benefit obligation	7,895	9,701

20.2 Movement of defined benefit obligation

	2021	2020
	SR'000	
Opening balance	9,701	9,688
Charge to statement of income	1,710	2,106
Charge to other comprehensive income	(300)	(748)
Payment of benefits during the year	(3,216)	(1,345)
Closing balance	7,895	9,701

20. EMPLOYEE BENEFIT OBLIGATIONS – (continued)

20.3 Reconciliation of present value of defined benefit obligation

	2021	2020
	SR'000	
Opening balance	**9,701**	9,688
Current service costs	**1,438**	1,835
Financial costs	**272**	271
Actuarial gain from experience adjustments	**(300)**	(748)
Benefits paid during the year	**(3,216)**	(1,345)
	7,895	9,701

20.4 Principal actuarial assumptions

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

	2021	2020
Valuation discount rate	**3.40%**	2.80%
Expected rate of increase in salary level across different age bands	**1.00%**	1.00%

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

Valuation discount rate	**2021**	2020
	SR'000	SR'000
- Increase by 1%	**(737)**	(943)
- Decrease by 1%	**867**	1,120
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**923**	1,183
- Decrease by 1%	**(796)**	(1,010)

The average duration of the defined benefit plan obligation at the end of the reporting period is 11 years (2020: 11 years).

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

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

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

21. FAIR VALUES OF FINANCIAL INSTRUMENTS – (continued)

a. Carrying amounts and fair value

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

Insurance Operations	**Level 1**	**Level 2**	**Level 3**	**Total**
		SR'000		
31 December 2021				
Financial assets measured at fair value				
- Investments held as FVSI	**32,384**	**-**	**10,216**	**42,600**
	32,384	**-**	**10,216**	**42,600**

Insurance Operations	Level 1	Level 2	Level 3	Total
		SR'000		
31 December 2020				
Financial assets measured at fair value				
- Investments held as FVSI	31,661	-	71,360	103,021
	31,661	-	71,360	103,021

Shareholders' Operations	**Level 1**	**Level 2**	**Level 3**	**Total**
		SR'000		
31 December 2021				
Financial assets measured at fair value				
- Investments held as FVSI	**33,848**	**-**	**25,099**	**58,947**
	33,848	**-**	**25,099**	**58,947**

Shareholders' Operations	Level 1	Level 2	Level 3	Total
		SR'000		
31 December 2020				
Financial assets measured at fair value				
- Investments held as FVSI	23,201	-	25,746	48,947
	23,201	-	25,746	48,947

22. OPERATING SEGMENTS

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

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2020.

Segment assets do not include cash and cash equivalents, short term deposits, net premiums and reinsurers' receivable, net, prepayments and other receivables, investments and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders' claims, reinsurance payables, accruals and other payables and employees' end of service indemnities. Accordingly, they are included in unallocated liabilities.

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2021 and 31 December 2020, its total revenues, expenses, and net income for the year then ended, are as follows:

	As at 31 December 2021					
	Insurance operations					
	Medical	Motor	Others	Insurance operations	Shareholders' operations	Total
				SR'000		
Assets						
Reinsurers' share of unearned premiums	-	16,829	8,726	25,555	-	25,555
Reinsurers' share of outstanding claims	-	(1,476)	21,451	19,975	-	19,975
Reinsurers' share of claims incurred but not reported	915	9,885	3,066	13,866	-	13,866
Deferred policy acquisition costs	4,547	20,700	2,460	27,707	-	27,707
Unallocated assets				369,336	158,102	527,438
Total Assets				456,439	158,102	614,541
Liabilities						
Unearned premiums	41,948	168,303	18,579	228,830	-	228,830
Unearned reinsurance commission	-	1,960	2,391	4,351	-	4,351
Outstanding claims	7,627	(13,630)	28,862	22,859	-	22,859
Claims incurred but not reported	10,751	108,154	4,978	123,883	-	123,883
Premium deficiency reserve	-	5,892	808	6,700	-	6,700
Other technical reserves	794	5,524	1,574	7,892	-	7,892
Unallocated liabilities and surplus				92,026	31,516	123,542
Total Liabilities				486,541	31,516	518,057
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(158,767)	(158,767)
Total Shareholders' Equity				-	96,236	96,236
Re-measurement reserve of defined benefit obligations – related to insurance operations				248	-	248
Total Equity				248	96,236	96,484
Total Liabilities and Equity				486,789	127,752	614,541

22. OPERATING SEGMENTS – (continued)

	As at 31 December 2020					
	Insurance operations					
	Medical	Motor	Others	Insurance operations	Shareholders' operations	Total
	SR'000					
Assets						
Reinsurers' share of unearned premiums	-	15,975	7,295	23,270	-	23,270
Reinsurers' share of outstanding claims	-	(1,526)	22,436	20,910	-	20,910
Reinsurers' share of claims incurred but not reported	1,348	7,783	2,651	11,782	-	11,782
Deferred policy acquisition costs	5,003	14,120	1,897	21,020	-	21,020
Unallocated assets				425,790	208,560	634,350
Total Assets				502,772	208,560	711,332
Liabilities						
Unearned premiums	43,935	159,757	14,610	218,302	-	218,302
Unearned reinsurance commission	-	1,836	1,897	3,733	-	3,733
Outstanding claims	8,907	(11,167)	30,014	27,754	-	27,754
Claims incurred but not reported	18,058	100,402	3,246	121,706	-	121,706
Other technical reserves	270	2,370	456	3,096	-	3,096
Unallocated liabilities and surplus				93,348	34,799	128,147
Total Liabilities				467,939	34,799	502,738
Shareholders' Equity						
Share capital				-	250,000	250,000
Statutory reserve				-	5,003	5,003
Accumulated losses				-	(46,357)	(46,357)
Total Shareholders' Equity				-	208,646	208,646
Re-measurement reserve of defined benefit obligations – related to insurance operations				(52)	-	(52)
Total Equity				(52)	208,646	208,594
Total Liabilities and Equity				467,887	243,445	711,332

22. OPERATING SEGMENTS – (continued)

	For the year ended 31 December 2021			
	Medical	**Motor**	**Others**	**Total**
		SR'000		
REVENUES				
Individual	-	317,862	4,413	322,275
Large	18,298	6,537	8,114	32,949
Medium	9,097	16,549	8,731	34,377
Small	8,560	9,427	6,494	24,481
Very Small	50,395	1,106	1,948	53,449
Gross premiums written	86,350	351,481	29,700	467,531
Reinsurance premiums ceded				
- Local	-	-	(6,660)	(6,660)
- Foreign	-	(34,921)	(10,769)	(45,690)
	-	(34,921)	(17,429)	(52,350)
Excess of loss expenses				
- Local	(1,360)	(542)	(792)	(2,694)
- Foreign	(2,131)	(2,241)	(533)	(4,905)
	(3,491)	(2,783)	(1,325)	(7,599)
Net premiums written	82,859	313,777	10,946	407,582
Changes in unearned premiums, net	1,988	(7,692)	(2,539)	(8,243)
Net premiums earned	84,847	306,085	8,407	399,339
Reinsurance commissions	-	3,933	4,492	8,425
Other underwriting income	66	424	185	675
TOTAL REVENUES	84,913	310,442	13,084	408,439
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	68,881	318,510	2,657	390,048
Reinsurers' share of claims paid	(3,495)	(32,264)	(1,840)	(37,599)
Net claims paid	65,386	286,246	817	352,449
Changes in outstanding claims, net	(1,280)	(2,512)	(168)	(3,960)
Changes in claims incurred but not reported, net	(6,873)	5,651	1,315	93
Net claims incurred	57,233	289,385	1,964	348,582
Changes in premium deficiency reserves	-	5,892	808	6,700
Changes in other technical reserves	1,040	3,153	602	4,795
Policy acquisition costs	6,012	13,193	3,248	22,453
Other underwriting expenses	4,944	43,407	239	48,590
TOTAL UNDERWRITING COSTS AND EXPENSES	69,229	355,030	6,861	431,120
NET UNDERWRITING INCOME / (LOSS)	15,684	(44,588)	6,223	(22,681)
OTHER OPERATING (EXPENSES) / INCOME				
Allowances for doubtful debts				(7,016)
General and administrative expenses				(94,887)
Investment income				1,551
Commission from held to maturity investments				1,115
Commission income from term deposit				6,460
Realized loss on investments				(1,170)
Unrealized gain on investments				10,123
Other income				95
TOTAL OTHER OPERATING EXPENSES				(83,729)
NET LOSS FOR THE YEAR BEFORE ZAKAT				(106,410)
Zakat				(6,000)
NET LOSS FOR THE YEAR				(112,410)
Net Income for the year attributable to insurance operations				-
Net loss for the year attributable to the shareholders				(112,410)

22. OPERATING SEGMENTS – (continued)

	For the year ended 31 December 2020			
	Medical	Motor	Others	Total
	SR'000			
REVENUES				
Individual	-	284,983	3,939	288,922
Large	17,339	7,077	4,877	29,293
Medium	10,178	9,757	8,047	27,982
Small	15,353	8,367	6,742	30,462
Very Small	46,492	3,711	761	50,964
Gross premiums written	89,362	313,895	24,366	427,623
Reinsurance premiums ceded				
- Local	-	(82)	(1,005)	(1,087)
- Foreign	-	(31,284)	(13,281)	(44,565)
	-	(31,366)	(14,286)	(45,652)
Excess of loss expenses				
- Local	(943)	(148)	(262)	(1,353)
- Foreign	(14,234)	(2,829)	(983)	(18,046)
	(15,177)	(2,977)	(1,245)	(19,399)
Net premiums written	74,185	279,552	8,835	362,572
Changes in unearned premiums, net	15,134	1,136	(3,482)	12,788
Net premiums earned	89,319	280,688	5,353	375,360
Reinsurance commissions	-	3,612	3,355	6,967
Other underwriting income	2,253	1,236	2,191	5,680
TOTAL REVENUES	91,572	285,536	10,899	388,007
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	97,386	248,488	1,414	347,288
Reinsurers' share of claims paid	(13,503)	(20,845)	(785)	(35,133)
Net claims paid	83,883	227,643	629	312,155
Changes in outstanding claims, net	(5,197)	(21,614)	3,447	(23,364)
Changes in claims incurred but not reported, net	(1,596)	(6,614)	(179)	(8,389)
Net claims incurred	77,090	199,415	3,897	280,402
Changes in premium deficiency reserves	(8,969)	(40)	(773)	(9,782)
Changes in other technical reserves	(1,594)	(1,251)	(318)	(3,163)
Policy acquisition costs	6,010	8,865	2,437	17,312
Other underwriting expenses	7,506	18,765	173	26,444
TOTAL UNDERWRITING COSTS AND EXPENSES	80,043	225,754	5,416	311,213
NET UNDERWRITING INCOME	11,529	59,782	5,483	76,794
OTHER OPERATING (EXPENSES) / INCOME				
Allowances for doubtful debts				(238)
General and administrative expenses				(82,734)
Investment income				2,077
Commission from held to maturity investments				2,098
Commission income from term deposit				8,087
Unrealized gain on investments				3,620
Other income				3,220
TOTAL OTHER OPERATING EXPENSES				(63,870)
NET INCOME FOR THE YEAR BEFORE ZAKAT				12,924
Zakat				(6,000)
NET INCOME FOR THE YEAR				6,924
Net Income for the year attributable to insurance operations				(874)
Net Income for the year attributable to the shareholders				6,050

23. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel [Key Management Personnel includes all directors, executive and non-executive, and senior management] of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors.

	Nature of transactions	Amount of transactions For the year ended 31 December	
		2021	2020
		SR'000	
Major shareholder			
Salama IAIC – UAE*	Payment received on behalf	**970**	-

*As at 31 December 2021 the related party balance is included in accrued expenses and other liabilities.

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

	2021	2020
	SR'000	
Salaries and other allowances	**1,395**	2,975
End of service indemnities	**1,180**	1,042
	2,575	4,017
Remuneration to those charged with governance – Board of Directors	**21**	18
Remuneration to those charged with governance – Board Committees	**45**	9
	66	27

24. ZAKAT

a. Charge for the year

The Zakat charge for the year is calculated based on the following:

	2021	2020
	SR'000	
Equity	**208,646**	202,595
Opening provision and adjustments	**45,511**	63,595
Net book value of long term assets	**(215,922)**	(232,772)
	38,235	33,418
Adjusted (loss) / income for the year	**(99,394)**	10,637
Zakat base	**(61,159)**	44,055

Movements in provision during the year

	2021	2020
	SR'000	
Balance at the beginning of the year	**31,131**	25,131
Charge for the year	**6,000**	6,000
Paid during the year	**(9,502)**	-
Balance at the end of the year	**27,629**	31,131

24. ZAKAT – (continued)

b. Status of zakat assessments

The Company submitted the Zakat declarations for the year ended 31 December 2020 and obtained the necessary Zakat and tax certificate.

The ZATCA has issued assessments for the years from 2006 to 2012 amounting to SR 17.1 million which represents SR 9.3 million as zakat differences and SR 4.4 million as withholding tax differences and SR 3.4 million as withholding tax delay fines. The Company has settled the amount of withholding tax differences amounting to SR 4.4 million and partially settled the delay fines amounting to SR 3.1 million and accordingly issued a letter of guarantee amounting to SR 9.5 million on the favour of ZATCA for the zakat differences for the said years. The case is currently pending with the General Secretariat of the tax committees and their conclusion is awaited.

A settlement request was submitted to ZATCA to pay an amount of SR 3 million to close the case, but the Zakat disputes committee reached to a decision to settle an amount of SR 7.7 million to finalize the assessments for the said years. The ZATCA has rejected the Zakat disputes committee's decision with the completion of the hearing of the case raised to the Appeal Committee. The management expects that the volume of zakat liability will reach to SR 4.2 million and based on the objection and the information submitted to ZATCA and the committees.

The ZATCA has issued an assessment for the year 2014, which has requested an additional Zakat liability amounting to SR 1.2 million. The assessment was objected, and the objection was rejected by ZATCA. The case has been escalated to the Preliminary Committee of the Tax Committees and their decision is awaited. The management believes that the volume of zakat liability will reach to SR 1.2 million.

The ZATCA raised an assessment for the years from 2015 to 2018, which has requested an additional Zakat liability amounting to SR 14.1 million, and withholding tax liability for the years from 2014 to 2018, amounting to SR 7 million. During the year, the Company has settled the withholding tax differences to get the benefits of governmental revised 1st phase amnesty period (full exemption of penalty). The management believes that the volume of zakat liability will reach to SR 14.7 million.

During the year, the Company received zakat assessments for the year 2019 and 2020 where ZATCA asking additional liability of SR 11.4 million. The Company objected and later reduced to SR 9.1 million. The Company made a payment of SR 2.3 million in order to object according to the zakat regulation. The objection has been referred to the General Secretariat of the Tax Committees and the case is still under discussion.

25. SURIPLUS DISTRIBUTION PAYAPLE

	2021	2020 (Restated)
	SR'000	
Balance at the beginning of the year	**15,409**	14,535
Income attributed to the insurance operations	**-**	874
Closing balance	**15,409**	15,409

26. SHARE CAPITAL

The authorized and issued share capital of the Company is SR 250 million divided into 25 million ordinary shares of SR 10 each.

27. CAPITAL MANAGEMENT

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

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

28. GENERAL AND ADMINISTRATIVE EXPENSE

	Insurance operations	
	2021	2020
	SR'000	
Employees' costs	**49,204**	47,667
Office rent	**1,273**	1,155
Financial charges	**1,333**	1,293
Information technology	**6,003**	4,632
Training and development	**146**	30
Depreciation and amortization (see note 11,12 & 13)	**11,516**	11,250
Travelling	**382**	353
Communication	**2,020**	2,456
Printing and stationary	**388**	331
Fee and subscriptions	**448**	139
Utilities	**283**	281
Repair and maintenance	**631**	548
Audit and professional fees	**3,365**	3,994
Marketing and advertisement	**1,122**	885
Others	**14,468**	5,905
	92,582	80,919

	Shareholders' Operations	
	2021	2020
	SR'000	
Board attendance fees (see note a below)	**151**	135
Committee expenses (see note b below)	**245**	38
Others	**1,909**	1,642
	2,305	1,815

a) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.

b) Committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

29. (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share for the year has been calculated by dividing the net income for the year attributable to the shareholders by the weighted average number of issued and outstanding shares for the year.

30. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
		SR'000			SR'000	
ASSETS						
Cash and cash equivalents	**123,527**	**489**	**124,016**	47,892	111,354	159,246
Term deposits	**97,000**	**-**	**97,000**	148,318	-	148,318
Premiums and reinsurers' receivable – net	**54,672**	**-**	**54,672**	40,896	-	40,896
Reinsurers' share of unearned premiums	**25,555**	**-**	**25,555**	23,270	-	23,270
Reinsurers' share of outstanding claims	**19,975**	**-**	**19,975**	20,910	-	20,910
Reinsurers' share of claims incurred but not reported	**13,866**	**-**	**13,866**	11,782	-	11,782
Deferred policy acquisition costs	**27,707**	**-**	**27,707**	21,020	-	21,020
Investments	**52,600**	**115,853**	**168,453**	113,021	55,853	168,874
Prepaid expenses and other assets	**18,781**	**373**	**19,154**	42,047	185	42,232
Right of use assets – net	**18,231**	**-**	**18,231**	21,927	-	21,927
Property and equipment - net	**4,107**	**-**	**4,107**	7,150	-	7,150
Intangible assets - net	**418**	**-**	**418**	4,539	-	4,539
Statutory deposit	**-**	**37,500**	**37,500**	-	37,500	37,500
Accrued commission on statutory deposit	**-**	**3,887**	**3,887**	-	3,668	3,668
Due from insurance operations	**30,350**	**-**	**30,350**	-	34,885	34,885
	486,789	**158,102**	**644,891**	502,772	243,445	746,217
(Less): Inter-operations eliminations	**(30,350)**	**-**	**(30,350)**	-	(34,885)	(34,885)
TOTAL ASSETS	**456,439**	**158,102**	**614,541**	502,772	208,560	711,332

30. SUPPLEMENTARY INFORMATION – (continued)

a) Statement of financial position – (continued)

	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
		SR'000			SR'000	
LIABILITIES						
Policyholders claims payable	**11,421**	**-**	**11,421**	13,522	-	13,522
Accrued expenses and other liabilities	**35,982**	**-**	**35,982**	30,365	-	30,365
Lease liabilities	**20,335**	**-**	**20,335**	19,922	-	19,922
Reinsurers' balances payable	**984**	**-**	**984**	4,429	-	4,429
Unearned premiums	**228,830**	**-**	**228,830**	218,302	-	218,302
Unearned reinsurance commission	**4,351**	**-**	**4,351**	3,733	-	3,733
Outstanding claims	**22,859**	**-**	**22,859**	27,754	-	27,754
Claims incurred but not reported	**123,883**	**-**	**123,883**	121,706	-	121,706
Premium deficiency reserves	**6,700**	**-**	**6,700**	-	-	-
Other technical reserves	**7,892**	**-**	**7,892**	3,096	-	3,096
Employee benefits obligation	**7,895**	**-**	**7,895**	9,701	-	9,701
Surplus distribution payable	**15,409**	**-**	**15,409**	15,409	-	15,409
Provision for zakat	**-**	**27,629**	**27,629**	-	31,131	31,131
Accrued commission income payable to SAMA	**-**	**3,887**	**3,887**	-	3,668	3,668
Due to shareholders' operations	**-**	**30,350**	**30,350**	34,885	-	34,885
	486,541	**61,866**	**548,407**	502,824	34,799	537,623
(Less): Inter-operations eliminations	**-**	**(30,350)**	**(30,350)**	(34,885)	-	(34,885)
TOTAL LIABILITIES	**486,541**	**31,516**	**518,057**	467,939	34,799	502,738
SHAREHOLDERS' EQUITY						
Share capital	**-**	**250,000**	**250,000**	-	250,000	250,000
Statutory reserve	**-**	**5,003**	**5,003**	-	5,003	5,003
Accumulated losses	**-**	**(158,767)**	**(158,767)**	-	(46,357)	(46,357)
TOTAL SHAREHOLDERS' EQUITY	**-**	**96,236**	**96,236**	-	208,646	208,646
Re-measurement reserve of defined benefit obligation – related to insurance operations	**248**	**-**	**248**	(52)	-	(52)
TOTAL EQUITY	**248**	**96,236**	**96,484**	(52)	208,646	208,594
TOTAL LIABILITIES AND EQUITY	**486,789**	**127,752**	**614,541**	467,887	243,445	711,332
COMMITMENTS AND CONTINGENCIES	**700**	**9,500**	**10,200**	700	9,500	10,200

30. SUPPLEMENTARY INFORMATION – (continued)

b) Statement of income

	For the year ended 31 December					
	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
REVENUES						
Gross premiums written	**467,531**	**-**	**467,531**	427,623	-	427,623
	467,531	**-**	**467,531**	427,623	-	427,623
Reinsurance premiums ceded						
- Local	**(6,660)**	**-**	**(6,660)**	(1,087)	-	(1,087)
- Foreign	**(45,690)**	**-**	**(45,690)**	(44,565)	-	(44,565)
	(52,350)	**-**	**(52,350)**	(45,652)	-	(45,652)
Excess of loss expenses						
- Local	**(2,694)**	**-**	**(2,694)**	(1,353)	-	(1,353)
- Foreign	**(4,905)**	**-**	**(4,905)**	(18,046)	-	(18,046)
	(7,599)	**-**	**(7,599)**	(19,399)	-	(19,399)
Net premiums written	**407,582**	**-**	**407,582**	362,572	-	362,572
Changes in unearned premiums, net	**(8,243)**	**-**	**(8,243)**	12,788	-	12,788
Net premiums earned	**399,339**	**-**	**399,339**	375,360	-	375,360
Reinsurance commissions	**8,425**	**-**	**8,425**	6,967	-	6,967
Other underwriting income	**675**	**-**	**675**	5,680	-	5,680
TOTAL REVENUES	**408,439**	**-**	**408,439**	388,007	-	388,007
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**390,048**	**-**	**390,048**	347,288	-	347,288
Reinsurers' share of claims paid	**(37,599)**	**-**	**(37,599)**	(35,133)	-	(35,133)
Net claims paid	**352,449**	**-**	**352,449**	312,155	-	312,155
Changes in outstanding claims, net	**(3,960)**	**-**	**(3,960)**	(23,364)	-	(23,364)
Changes in claims incurred but not reported, net	**93**	**-**	**93**	(8,389)	-	(8,389)
Net claims incurred	**348,582**	**-**	**348,582**	280,402	-	280,402
Change premium deficiency reserves	**6,700**	**-**	**6,700**	(9,782)	-	(9,782)
Change other technical reserves	**4,795**	**-**	**4,795**	(3,163)	-	(3,163)
Policy acquisition costs	**22,453**	**-**	**22,453**	17,312	-	17,312
Other underwriting expenses	**48,590**	**-**	**48,590**	26,444	-	26,444
TOTAL UNDERWRITING COSTS AND EXPENSES	**431,120**	**-**	**431,120**	311,213	-	311,213
NET UNDERWRITING (LOSS) / INCOME	**(22,681)**	**-**	**(22,681)**	76,794	-	76,794

30. SUPPLEMENTARY INFORMATION – (continued)

b) Statement of income – (continued)

	For the year ended 31 December					
	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
OTHER OPERATING (EXPENSES)/INCOME						
Allowance for doubtful debts	**(7,016)**	**-**	**(7,016)**	(238)	-	(238)
General and administrative expenses	**(92,582)**	**(2,305)**	**(94,887)**	(80,919)	(1,815)	(82,734)
Investment income	**1,427**	**124**	**1,551**	1,710	367	2,077
Commission from held to maturity investments	**44**	**1,071**	**1,115**	2,098	-	2,098
Commission income from term deposit	**4,530**	**1,930**	**6,460**	6,271	1,816	8,087
Realized loss on investments	**(1,170)**	**-**	**(1,170)**	-	-	-
Unrealized gain / (loss) on investments	**647**	**9,476**	**10,123**	(192)	3,812	3,620
Other income	**95**	**-**	**95**	3,220	-	3,220
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(94,025)**	**10,296**	**(83,729)**	(68,050)	4,180	(63,870)
NET (LOSS) / INCOME FOR THE YEAR BEFORE ZAKAT	**(116,706)**	**10,296**	**(106,410)**	8,744	4,180	12,924
Zakat	**-**	**(6,000)**	**(6,000)**	-	(6,000)	(6,000)
NET (LOSS) / INCOME FOR THE YEAR AFTER ZAKAT	**(116,706)**	**4,296**	**(112,410)**	8,744	(1,820)	6,924
Transfer to shareholders	**116,706**	**(116,706)**	**-**	(7,870)	1,820	(6,050)
NET RESULT FROM INSURANCE OPERATIONS	**-**	**(112,410)**	**(112,410)**	874	-	874
(Loss) / earnings per share (Expressed in SR per share)						
Weighted average number of shares outstanding (thousands shares)	**-**	**25,000**	**25,000**	-	25,000	25,000
Basic and diluted (loss) / earnings per share (SR/share)	**-**	**(4.50)**	**(4.50)**	-	0.24	0.24

30. SUPPLEMENTARY INFORMATION – (continued)

c) Statement of comprehensive income

	For the year ended 31 December					
	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
Net (loss) / income for the year	**-**	**(112,410)**	**(112,410)**	874	6,050	6,924
Other comprehensive income:						
Items that will not be reclassified to statement of income in subsequent periods						
Actuarial gains on defined benefit obligations	**300**	**-**	**300**	748	-	748
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**300**	**(112,410)**	**(112,110)**	1,622	6,050	7,672
Less: income attributed to the insurance operations			**(300)**			(1,622)
Net (loss) / income attributed to the shareholders			**(112,410)**			6,050

30. SUPPLEMENTARY INFORMATION – (continued)

d) Statement of cash flows

	For the year ended 31 December					
	2021			2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income before surplus and zakat	**-**	**(106,410)**	**(106,410)**	874	12,050	12,924
Adjustments for non-cash items:						
Depreciation of property and equipment	**3,542**	**-**	**3,542**	5,031	-	5,031
Amortization of intangible assets	**4,121**	**-**	**4,121**	1,765	-	1,765
Depreciation of right of use assets	**3,853**	**-**	**3,853**	4,454	-	4,454
Finance cost on lease liabilities	**1,333**	**-**	**1,333**	1,293	-	1,293
Allowance for doubtful debts	**7,016**	**-**	**7,016**	238	-	238
Unrealized loss / (gain) on investments at FVTSI	**(647)**	**(9,476)**	**(10,123)**	192	(3,812)	(3,620)
Realized loss on investments at FVTSI	**1,170**	**-**	**1,170**	-	-	-
Employee benefit obligations	**1,710**	**-**	**1,710**	2,106	-	2,106
	22,098	**(115,886)**	**(93,788)**	15,953	8,238	24,191
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(20,792)**	**-**	**(20,792)**	45,073	-	45,073
Reinsurers' share of unearned premiums	**(2,285)**	**-**	**(2,285)**	(1,412)	-	(1,412)
Reinsurers' share of outstanding claims	**935**	**-**	**935**	(12,165)	-	(12,165)
Reinsurers' share of claims incurred but not reported	**(2,084)**	**-**	**(2,084)**	491	-	491
Deferred policy acquisition costs	**(6,687)**	**-**	**(6,687)**	(11,987)	-	(11,987)
Prepaid expenses and other assets	**23,266**	**(188)**	**23,078**	(23,467)	1	(23,466)
Accrued commission from statutory deposit	**-**	**(219)**	**(219)**	-	(340)	(340)
Policyholders claims payables	**(2,101)**	**-**	**(2,101)**	(421)	-	(421)
Accrued expenses and other liabilities	**5,617**	**-**	**5,617**	(669)	-	(669)
Reinsurers' balances payable	**(3,445)**	**-**	**(3,445)**	(3,382)	-	(3,382)
Unearned premiums	**10,528**	**-**	**10,528**	(11,376)	-	(11,376)
Unearned reinsurance commission	**618**	**-**	**618**	332	-	332
Outstanding claims	**(4,895)**	**-**	**(4,895)**	(11,199)	-	(11,199)
Claims incurred but not reported	**2,177**	**-**	**2,177**	(8,880)	-	(8,880)
Premium deficiency reserves	**6,700**	**-**	**6,700**	(10,224)	-	(10,224)
Other technical reserve	**4,796**	**-**	**4,796**	(2,721)	-	(2,721)
Accrued commission income payable to SAMA	**-**	**219**	**219**	-	340	340
	34,446	**(116,074)**	**(81,628)**	(36,054)	8,239	(27,815)
Zakat paid	**-**	**(9,502)**	**(9,502)**	-	-	-
Employee benefits paid	**(3,216)**	**-**	**(3,216)**	(1,345)	-	(1,345)
Net cash flows generated from / (used in) operating activities	**31,230**	**(125,576)**	**(94,346)**	(37,399)	8,239	(29,160)

30. SUPPLEMENTARY INFORMATION – (continued)

d) Statement of cash flows – (continued)

	For the year ended 31 December					
	2021			2020		
	Insurance operations	**Share-holders' operation**	**Total**	Insurance operations	Share-holders' operations	Total
	SR'000	**SR'000**	**SR'000**	SR'000	SR'000	SR'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	**(2,998)**	**(5,840)**	**(8,838)**	(81,931)	-	(81,931)
Proceeds from sale of investments	**62,896**	**5,316**	**68,212**	4,644	8,427	13,071
Placement of term deposits	**(125,000)**	**(200,000)**	**(325,000)**	(147,000)	(100,000)	(247,000)
Proceeds from term deposits	**176,318**	**200,000**	**376,318**	256,964	200,201	457,165
Purchases of held to maturity investments	**-**	**(50,000)**	**(50,000)**	-	-	-
Proceeds from held to maturity investments	**-**	**-**	**-**	8,530	13,466	21,996
Purchase of property and equipment	**(499)**	**-**	**(499)**	(137)	-	(137)
Net cash flows generated from / (used in) investing activities	**110,717**	**(50,524)**	**60,193**	41,070	122,094	163,164
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	**(1,077)**	**-**	**(1,077)**	(4,519)	-	(4,519)
Due to shareholders' operations	**(65,235)**	**65,235**	**-**	21,906	(21,906)	-
Net cash flows (used in) / generated from financing activities	**(66,312)**	**65,235**	**(1,077)**	17,387	(21,906)	(4,519)
Net change in cash and cash equivalents	**75,635**	**(110,865)**	**(35,230)**	21,058	108,427	129,485
Cash and cash equivalents, beginning of the year	**47,892**	**111,354**	**159,246**	26,834	2,927	29,761
Cash and cash equivalents, end of the year	**123,527**	**489**	**124,016**	47,892	111,354	159,246

31. RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors

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

Audit committee

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

31. RISK MANAGEMENT – (continued)

Risk management structure – (continued)

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

Insurance risk

The risk under an insurance policy is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such policies is that the actual claims and benefit payments exceed the carrying amount of insurance reserves. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient resources are available to cover claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance policies as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Certain portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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 insurance claim liabilities are sensitive to various assumptions mentioned in note 2.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors such as flood, environmental and economical, atmospheric disturbance and concentration of risk etc. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Kingdom of Saudi Arabia.

The Company monitors concentration of risk primarily by class of business. The major concentration lies in motor and medical line of business.

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company’s claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

Key assumption

The principal assumption underlying the estimates is the Company’s estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

31. RISK MANAGEMENT – (continued)

Insurance risk – (continued)

Sensitivities

The Company believes that claim liabilities under insurance contract (Gross outstanding claim less reinsurance share of outstanding claim) outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from claim liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. Sensitivity of loss for the year before Zakat to change in claim liabilities and IBNR based on an increase / decrease of 10% in outstanding claim reserve and increase / decrease of 15 % in IBNR is given below for each business segment.

	2021 SR'000		2020 SR'000	
Outstanding claim net of reinsurance	**Effect of 10% increase**	**Effect of 10% decrease**	Effect of 10% increase	Effect of 10% decrease
Motor	**1,215**	**(1,215)**	964	(964)
Medical	**(763)**	**763**	(890)	890
Others	**(741)**	**741**	(758)	758
	(289)	**289**	(684)	684

	2021 SR'000		2020 SR'000	
IBNR	**Effect of 15% increase**	**Effect of 15% decrease**	Effect of 15% increase	Effect of 15% decrease
Motor	**(14,740)**	**14,740**	(13,893)	13,893
Medical	**(1,475)**	**1,475**	(2,507)	2,507
Others	**(287)**	**287**	(89)	89
	(16,502)	**16,502**	(16,489)	16,489

Reinsurance risk

Similar to other insurance companies, 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 management. The criteria may be summarized as follows:

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

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the local Insurance Regulator. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

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

31. RISK MANAGEMENT – (continued)

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

The operations of the Company are also subject to regulatory requirements within the jurisdiction it operates. 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 to meet unforeseen liabilities as these arise.

Capital management risk

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

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares, if required in future. In the opinion of the Board of Directors, the Company has not fully complied with the externally imposed capital requirements during the reported financial year and have a solvency deficit of SR 26.48 million.

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, cash and cash equivalents, term deposits, investments, other receivables, outstanding claims and policy holder claims, reinsurance payable and certain other assets and liabilities. The main risks arising from the Company's financial instruments are market risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

Market risk

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

The Company is exposed to market risk with respect to its FVIS investments. Market risk is managed by investing in reputed funds which maintain investments in diversified portfolios and equity shares and by continuous monitoring of developments in equity markets. In addition, the key factors that affect stock market movements are monitored, including analysis of the operational and financial performance of investees. A 100 basis point increase / (decrease) in net asset value of these funds can impact statement of insurance operations and accumulated surplus by SR 426 thousand (2020: SR 1,030 thousand) and statement of shareholder operations by SR 589 thousand (2020: SR 489 thousand).

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 held to maturity investments and term deposits.

The Company is subject to commission rate fair value risk on its fixed rate Murabaha deposits classified as term deposits in the statement of financial position. The company does not account for fixed commission rate instrument as held for trading or as FVIS investment. Accordingly, there is no impact on the income or equity of reasonably possible change in commission rate.

31. RISK MANAGEMENT – (continued)

Commission rate risk– (continued)

The Company is required to maintain a restricted deposit in accordance with insurance regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk of other financial instruments by monitoring changes in commission rates in the currencies in which its financial instruments are denominated.

Insurance Operations

Details of maturities of the major classes of commission bearing securities for insurance operations as at 31 December 2021 and 2020 are as follows:

	2021 SR'000			
	Less than 1 year	**1 to 5 years**	**over 5 years**	**Total**
Investments held to maturity (note 9)	**-**	**10,000**	**-**	**10,000**
	-	**10,000**	**-**	**10,000**

	2020 SR'000			
	Less than 1 year	1 to 5 Years	over 5 years	Total
Investments held to maturity (note 9)	-	10,000	-	10,000
	-	10,000	-	10,000

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date.

The effective interest rates for the commission bearing financial instruments were as follows:

	2021	2020
Saudi Riyal denominated financial assets	**2.15%**	1.75%

The following table demonstrates the sensitivity of statement of insurance operations to reasonably possible changes in interest rates, with all other variables held constant.

	2021	2020
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in interest rates by 100 basis points	**2,350**	2,475
Decrease in interest rates by 100 basis points	**(2,350)**	(2,475)

31. RISK MANAGEMENT – (continued)

Financial risk – (continued)

Commission rate risk – (continued)

Details of maturities of the major classes of commission bearing securities for shareholders' operations as at 31 December 2021 and 2020 are as follows:

Shareholders Operations

	2021 SR'000			
	Less than 1 year	**1 to 5 years**	**over 5 years**	**Total**
Investments held to maturity	**-**	**4,983**	**50,000**	**54,983**
	-	**4,983**	**50,000**	**54,983**

	2020 SR'000			
	Less than 1 year	1 to 5 Years	over 5 years	Total
Investments held to maturity	-	4,983	-	4,983
	-	4,983	-	4,983

The maturities of deposits have been determined on the basis of the remaining period, at the reporting date, to the contractual maturity date. The effective interest rates for the commission bearing financial instruments were as follows:

	2021	2020
Foreign currency denominated financial assets	**1.30%**	1.41%

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

	2021	2020
	SR'000	SR'000
	Effect on profit	Effect on profit
Saudi Riyals:		
Increase in commission rates by 100 basis points	**887**	918
Decrease in commission rates by 100 basis points	**(887)**	(918)

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 losses due to exchange rate fluctuations as the insurance operations and shareholders' operations primarily deal in Saudi Riyals and in US Dollar which is pegged to Saudi Riyals.

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. All of the Company's underwriting activities are carried out in Saudi Arabia. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

31. RISK MANAGEMENT – (continued)

Credit risk – (continued)

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

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

	2021	2020
	SR'000	
Insurance' Operations		
Cash and cash equivalents	**123,527**	47,892
Term deposits	**97,000**	148,318
Premiums receivable, net	**50,294**	38,900
Reinsurance receivables, net	**4,378**	1,996
Held to maturity investments	**10,000**	10,000
Other receivables	**14,838**	42,047
Reinsurers' share of outstanding claims including IBNR	**33,841**	32,692
	333,878	321,845

	2021	2020
Shareholders' Operations	**SR'000**	
Cash and cash equivalents	**489**	111,354
Other receivables	**373**	185
Held to maturity investments	**54,983**	4,983
	55,845	116,522

Liquidity risk

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 monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All of the Company's financial assets and financial liabilities are expected to be realised and settled, respectively within 12 months from the reporting date, except for statutory deposit, which has no term (see note 15), and held to maturity assets, which are expected to be held until their maturities as mentioned in commission rate risk disclosure above. All financial liabilities are non-interest bearing.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on remaining expected obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized liabilities. Repayments that are subject to notice are treated as if notice were to be given immediately.

31. RISK MANAGEMENT – (continued)

Liquidity risk (continued)

	As of 31 December 2021			As of 31 December 2020		
	SR'000			SR'000		
Assets- Insurance operations	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Cash and cash equivalents	**123,527**	**-**	**123,527**	47,892	-	47,892
Term deposits	**97,000**	**-**	**97,000**	148,318	-	148,318
Premium and reinsures receivable - net	**54,672**	**-**	**54,672**	40,896	-	40,896
Reinsurers' share of unearned premiums	**25,555**	**-**	**25,555**	23,270	-	23,270
Reinsurers' share of outstanding claims	**19,975**	**-**	**19,975**	20,910	-	20,910
Reinsurers' share of IBNR	**13,866**	**-**	**13,866**	11,782	-	11,782
Investments	**32,384**	**20,216**	**52,600**	31,661	81,360	113,021
	366,979	**20,216**	**387,195**	324,729	81,360	406,089

	As of 31 December 2021			As of 31 December 2020		
	SR'000			SR'000		
Liabilities- Insurance operations	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Policy holder claims payable	**11,421**	**-**	**11,421**	13,522	-	13,522
Reinsurers' balance payable	**984**	**-**	**984**	4,429	-	4,429
Accrued expenses and other liabilities	**35,982**	**-**	**35,982**	30,365	-	30,365
Gross outstanding claims	**22,859**	**-**	**22,859**	27,754	-	27,754
Claims incurred but not reported	**123,883**	**-**	**123,883**	121,706	-	121,706
Premium deficiency reserve	**6,700**	**-**	**6,700**	-	-	-
Other technical reserves	**7,892**	**-**	**7,892**	3,096	-	3,096
Surplus distribution payable	**15,409**	**-**	**15,409**	15,409	-	15,409
TOTAL LIABILITIES AND SURPLUS	**225,130**	**-**	**225,130**	216,281	-	216,281

	As of 31 December 2021			As of 31 December 2020		
	SR'000			SR'000		
Assets- Shareholders operations	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Cash and cash equivalents	**489**	**-**	**489**	111,354	-	111,354
Investments	**33,848**	**82,005**	**115,853**	23,201	32,652	55,853
Statutory deposit	**-**	**37,500**	**37,500**	-	37,500	37,500
Accrued income on statutory deposit	**-**	**3,887**	**3,887**	-	3,668	3,668
TOTAL ASSETS	**34,337**	**123,392**	**157,729**	134,555	73,820	208,375

	As of 31 December 2021			As of 31 December 2020		
	SR'000			SR'000		
Liabilities- Shareholders operations	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Accrued commission income payable to SAMA	**-**	**3,887**	**3,887**	3,668	-	3,668
TOTAL LIABILITIES AND SURPLUS	**-**	**3,887**	**3,887**	3,668	-	3,668

32. AMALGAMATION OF SHAREHOLDERS AND INSURANCE OPERATIONS

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current year presentation. These changes as summarized below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these financial statements, previously statement of financial position, statement of income, and statement of cash flows were presented separately for insurance operations and shareholders operations which are combined together to present one Company level statement of financial position, statement of income and statement of cash flows.
- The amounts "due to / from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated (refer note 30 (a)).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 30 (b)).

33. IMPACT OF COVID-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates.

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

34. COMPARATIVE FIGURES AND PRIOR YEARS ADJUSTEMENTS

During the year, management identified certain adjustments required to prior year financial statements which mainly related to the duplication of the recording of excess of loss expenses resulted from the technical issues faced from the accounting system and restated accordingly. The details are provided below:

31 December 2020	Balance as previously stated	**Restatement**	**Restated balance**
	SR'000	**SR'000**	**SR'000**
Surplus distribution payable	15,149	**260**	**15,409**
Accumulated losses	(48,705)	**2,348**	**(46,357)**
Reinsurers' balances payable	7,037	**(2,608)**	**4,429**
Excess of loss expenses – Foreign	(20,654)	**2,608**	**(18,046)**

There is no effect on the information in the statement of financial position at the beginning of the preceding period. Therefore, there is no need to present a third statement of financial position.

In addition, certain of the prior year figures in the statement of financial position, statement of income and statement of cash flows have been reclassified to conform to current year presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 19 Sha'baan 1443H, corresponding to 22 March 2022.