ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY

A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

INDEX

COMPANY DETAILS

Chairman

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Naif Bin Sultan Bin Saud Al Kabeer
Mr. Sameer Al Wazzan
Mr. Abdallah Al Obeikan
Mr. Turki Al Mutawa
Mr. Mohammed Bin Ali
Mr. Raed Al Saif

Chief Executive Officer

Mr. Bassel Al Abdulkarim

Board Secretary

Mr. Abdulaziz Bin Saeed

Head Office

5th Floor, Cercon Building No. 15
Olaya Street
PO Box 61352
Riyadh 11565
Saudi Arabia

Telephone	+ 966 11 250 5400
Website	www.der3.com

Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)
Riyadh, Saudi Arabia

Auditors

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

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants – Al-Bassam & Co.
Riyadh, Saudi Arabia

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

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Arabian Shield Cooperative Insurance Company (the "Company), which comprise the statement of financial position as at December 31, 2021, the statements of income, comprehensive income, statements of changes in shareholders' equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 38.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are 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) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF
ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Valuation of ultimate claim liabilities arising from insurance contracts</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2021, outstanding claims including claims incurred but not reported (IBNR) and other reserves related to insurance operations amounted to Saudi Riyals 265.82 million as reported in Note 19 to the financial statements.

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

In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of methods e.g. Chain ladder method, Bornheutter-Ferguson method, expected loss ratio method etc. are used by the actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability.</td><td>Our procedures included the following:
- Understanding and evaluating key controls around the claims handling and provision setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process.
- Evaluating the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their independence.

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

To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following:
- Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences.
- Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge.
- Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.</td></tr>
<tr><td colspan="2">Refer to the significant accounting policies note 4 to the financial statements, note 4(b) which explain the valuation methodology used by the Company and critical judgments and estimates</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF
ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Other information

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

Responsibilities of management and Those Charged with Governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the applicable requirements of the Regulations for Companies and the Company's Articles of Association / by-laws, and for such internal control as the Directors determine 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 Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF
ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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.

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF
ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Auditor's responsibilities for the audit of the financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. Al Azem
Certified Public Accountant
License No. 335

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

For Al-Bassam & Co.

P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

البسام وشركاؤه
محاسبون قانونيون
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

28 February 2022
27 Rajab 1443H

AS AT 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENT OF FINANCIAL POSITION

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	5	365,555	517,745
Premiums and reinsurers' receivable – net	7	149,465	70,138
Reinsurers' share of unearned gross premiums	15	41,373	71,532
Reinsurers' share of outstanding gross claims	19	57,553	96,840
Reinsurers' share of gross claims incurred but not reported	19	41,599	54,631
Deferred policy acquisition costs		10,126	7,032
Deferred third party administrator expenses		5,849	1,842
Deferred withholding tax		1,973	3,493
Deferred regulators' levies		2,199	1,764
Investments	8	325,638	246,555
Due from related parties – net	7 & 28	12,949	6,522
Prepaid expenses and other assets		31,035	37,623
Property and equipment – net	10	2,713	3,049
Intangible assets – net	11	10,667	10,003
Goodwill	12	46,794	46,794
Statutory deposit	6	40,000	30,000
Accrued income on statutory deposit	6	3,134	3,002
TOTAL ASSETS		**1,148,622**	**1,208,565**
LIABILITIES			
Accrued and other liabilities		72,385	59,738
Reinsurers' balances payable		13,874	18,826
Unearned gross premiums	15	189,910	190,453
Unearned reinsurance commission	17	8,792	14,148
Outstanding gross claims	19	87,531	126,934
Gross claims incurred but not reported	19	160,342	170,884
Premium deficiency reserve	19	11,250	15,500
Other technical reserves	19	6,700	13,000
Due to related parties	28	566	29,395
Accounts payable	13	43,864	41,554
Withholding tax provision		3,863	9,561
Regulators' levies provision		1,655	2,944
End-of-service indemnities	34	10,207	7,917
Policyholders' surplus distribution payable	26	5,120	4,570
Zakat	21	39,216	36,483
Income tax	21	1,500	1,752
Accrued commission income payable to SAMA	6	3,134	3,002
TOTAL LIABILITIES		**659,909**	**746,661**
EQUITY			
Share capital	23	400,000	300,000
Statutory reserve	24	26,097	40,866
Retained earnings		64,386	123,464
Fair value reserve gain / (loss) on investments	8	990	(2,426)
TOTAL SHAREHOLDERS' EQUITY		**491,473**	**461,904**
Re-measurement reserve for end-of-service indemnities		(2,760)	0
TOTAL EQUITY		**488,713**	**461,904**
TOTAL LIABILITIES AND EQUITY		**1,148,622**	**1,208,565**

COMMITMENTS AND CONTINGENCIES 33

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENT OF INCOME

	Notes	2021	2020
REVENUES			
Gross premiums written	14	558,166	552,708
Reinsurance premiums ceded – local		(20,094)	(24,115)
Reinsurance premiums ceded – foreign		(143,482)	(188,806)
Excess of loss expenses	14	(3,780)	(2,794)
Net premiums written	14	**390,810**	**336,993**
Change in unearned gross premiums	15	543	(23,074)
Change in reinsurers' share of unearned gross premiums	15	(30,159)	35,092
Net premiums earned	14	**361,194**	**349,011**
Reinsurance commissions	16	35,947	32,170
Other underwriting income		14,580	6,806
TOTAL REVENUES		**411,721**	**387,987**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	19	(378,971)	(307,570)
Reinsurers' share of claims paid	19	97,372	59,315
Net claims paid		**(281,599)**	**(248,255)**
Changes in outstanding gross claims	19	39,403	14,120
Changes in reinsurers' share of outstanding gross claims	19	(39,287)	7,536
Changes in gross IBNR	19	10,542	7,441
Changes in reinsurers' share of gross IBNR	19	(13,032)	(18,619)
Net claims incurred		**(283,973)**	**(237,777)**
Premium deficiency reserve	19	4,250	(13,500)
Other technical reserves	19	6,300	(4,000)
Policy acquisition costs		(15,295)	(14,827)
Third party administrator expenses		(7,003)	(7,181)
Withholding tax		(8,350)	(7,418)
Regulators' levies		(3,824)	(5,392)
Other underwriting expenses		(21,837)	(10,300)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(329,732)**	**(300,395)**
NET UNDERWRITING INCOME		**81,989**	**87,592**
OTHER OPERATING INCOME / (EXPENSES)			
Allowance for doubtful debts	7	(5,878)	(1,240)
General and administrative expenses		(56,998)	(56,411)
Depreciation and amortisation		(4,382)	(4,608)
Commission income on deposits		5,402	5,522
Commission income on sukuk		4,531	4,023
Dividend income		1,632	4,092
Realised gains on investments	8	13,180	7,770
TOTAL OTHER OPERATING INCOME / (EXPENSES)		**(42,513)**	**(40,852)**
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX		**39,476**	**46,740**
Attributable to Insurance Operations		(2,869)	(3,138)
SHAREHOLDERS' INCOME BEFORE ZAKAT AND INCOME TAX		**36,607**	**43,602**
Zakat charge	21	(9,713)	(11,321)
Income tax charge	21	(741)	(624)
SHAREHOLDERS' INCOME AFTER ZAKAT AND INCOME TAX		**26,153**	**31,657**
Basic and diluted SAR earnings per share, restated	25	**0.65**	**0.79**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021	2020
Shareholders' income after zakat and income tax		26,153	31,657
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent periods:			
Actuarial loss on end of service indemnities		(2,760)	0
Items that are or may be reclassified to statements of income in subsequent years:			
Available for sale investments:			
Net change in fair value of investments	8	16,596	358
Realised gains transferred to statement of income	8	(13,180)	(7,770)
Net change in unrealised fair value of investments		**3,416**	**(7,412)**
COMPREHENSIVE INCOME FOR THE YEAR		**26,809**	**24,245**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENT OF CHANGES IN EQUITY

2021	Notes	Share Capital	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Shareholders' Equity	Re-measurement for end-of service indemnities	Total Equity
Balance at start of year		**300,000**	**40,866**	**123,464**	**(2,426)**	**461,904**	**0**	**461,904**
Shareholders' income after zakat and income tax				26,153		26,153		26,153
Other comprehensive income / (loss)								
Items that will not be reclassified to statements of income in subsequent periods:								
Actuarial loss on end of service indemnities							(2,760)	(2,760)
Items that are or may be reclassified to statements of income in subsequent periods:								
Available for sale investments:								
Net change in fair value of investments	8				16,596	16,596		16,596
Realised gains transferred to statement of income	8				(13,180)	(13,180)		(13,180)
Net change in unrealised fair value of investments					**3,416**	**3,416**		**3,416**
Comprehensive income for the year				**26,153**	**3,416**	**29,569**	**(2,760)**	**26,809**
Bonus Share	23	100,000	(20,000)	(80,000)		0		0
Transfer to statutory reserve			5,231	(5,231)		0		0
Balance at end of year		**400,000**	**26,097**	**64,386**	**990**	**491,473**	**(2,760)**	**488,713**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

2020	Notes	Share Capital	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Shareholders' Equity	Re-measurement for end-of service indemnities	Total Equity
Balance at start of year		**300,000**	**34,535**	**98,138**	**4,986**	**437,659**	**0**	**437,659**
Shareholders' income after zakat and income tax				31,657		31,657		31,657
Other comprehensive income / (loss)								
Items that will not be reclassified to statements of income in subsequent periods:								
Actuarial loss on end of service indemnities							0	0
Items that are or may be reclassified to statements of income in subsequent periods:								
Available for sale investments:								
Net change in fair value of investments	8				358	358		358
Realised gains transferred to statement of income	8				(7,770)	(7,770)		(7,770)
Net change in unrealised fair value of investments					**(7,412)**	**(7,412)**		**(7,412)**
Comprehensive income for the year				**31,657**	**(7,412)**	**24,245**	**0**	**24,245**
Transfer to statutory reserve			6,331	(6,331)				0
Balance at end of year		**300,000**	**40,866**	**123,464**	**(2,426)**	**461,904**	**0**	**461,904**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Shareholders' income before zakat and income tax		36,607	43,602
Adjustments for non-cash items:			
Depreciation of property and equipment	10	1,443	1,907
Amortisation of intangible assets	11	2,939	2,701
Gain on disposal of property and equipment		(2)	(15)
Allowance for doubtful debts	7	5,878	1,240
Provision for withholding tax		6,830	9,145
Provision for regulators' levies		4,259	5,165
Provision for end-of-service indemnities		1,066	1,923
Realised gains on disposal of investments	8	(13,180)	(7,770)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		(86,100)	25,877
Reinsurers' share of unearned gross premiums	15	30,159	(35,092)
Reinsurers' share of outstanding gross claims	19	39,287	(7,536)
Reinsurers' share of gross claims incurred but not reported	19	13,032	18,619
Deferred policy acquisition costs		(3,094)	869
Deferred third party administrator expenses		(4,007)	652
Deferred withholding tax		1,520	(1,727)
Deferred regulators' levies		(435)	227
Due from related parties		(5,532)	948
Prepaid expenses and other assets		6,588	(15,850)
Accounts payable		2,310	16,048
Policyholders' surplus	26	2,869	3,138
Accrued and other liabilities		12,647	10,286
Reinsurers' balances payable		(4,952)	3,718
Unearned gross premiums	15	(543)	23,074
Unearned reinsurance commission	17	(5,356)	6,795
Outstanding gross claims	19	(39,403)	(14,120)
Gross claims incurred but not reported	19	(10,542)	(7,441)
Premium deficiency reserve	19	(4,250)	13,500
Other technical reserves	19	(6,300)	4,000
Due to related parties		(28,829)	10,086
Payments:			
End-of-service indemnities paid	34	(1,536)	(2,441)
Withholding tax paid		(12,528)	(8,441)
Regulators' levies paid		(5,548)	(3,982)
Surplus paid to policyholders	26	(2,319)	(1,265)
Zakat paid	21	(6,980)	(5,897)
Income tax paid	21	(993)	176
Net cash generated from / (used in) operating activities		**(74,995)**	**92,119**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2021 | ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS (Continued)

	Notes	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of investments	8	(215,000)	(115,000)
Proceeds from disposal of investments	8	152,513	102,937
Proceeds from short term fixed income deposits		0	40,000
Additions of property and equipment	10	(1,107)	(1,450)
Proceeds from disposal of property and equipment		2	16
Additions of intangible assets	11	(3,603)	(4,253)
Increase in Statutory deposit		(10,000)	0
Net cash generated from / (used in) investing activities		**(77,195)**	**22,250**
Net change in cash and cash equivalents		(152,190)	114,369
Cash and cash equivalents at start of year		517,745	403,376
Cash and cash equivalents at end of year		**365,555**	**517,745**
NON-CASH INFORMATION			
Net change in unrealised fair value of investments		**3,416**	**(7,412)**
Issuance of bonus shares		**100,000**	**0**

The accompanying Notes 1 to 38 form an integral part of these Financial Statements.

1. GENERAL

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Central Bank ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Commercial Registration Certificate was amended with effect from 12 August 2021 to reflect the increase in share capital following the bonus share issue. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013, 03 June 2016 and 28 January 2020. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the annual financial statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its shareholders own and retain custody of all net assets related to both insurance operations and shareholders' operations and funds are allocated to insurance operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

Approved Merger

The Company entered into a Memorandum of Understanding ("MoU") on 11 April 2021 (corresponding to 29 Sha'ban 1442) with Al Ahli Takaful Company ("ATC") to begin a reciprocal due diligence process and to negotiate the final terms and conditions of the potential Merger ("Merger" or "Transaction") between ATC and the Company.

Later on 12 July 2021 (corresponding to 02 Dhul Hijjah 1442), the Company announced its entry into a binding merger agreement with ATC ("Merger Agreement") in an effort to acquire all shares held by the shareholders of ATC through the submission of an offer to exchange shares without any cash considerations, such exchange to be effected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in ATC. Accordingly, the Company received a no-objection from SAMA on the merger transaction on 29 October 2021 (corresponding to 23 Rabi Al Awwal 1443).

The shareholders in the Extraordinary General Assembly meeting ("EGAM") held on 09 December 2021 (corresponding to 05 Jumada Al Oula 1443) approved the proposed merger of the Company and ATC to be affected by way of a merger pursuant to Article 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 10 November 2015 (corresponding to 28 Muharram 1437), through the issuance of 1.43114769137705 new shares in the Company for each share in ATC subject to the terms and conditions of the Merger Agreement.

Subsequent to the year end and as disclosed in Note 35, the Company has announced the effectiveness of the merger of ATC into the Company on 12 January 2022 (corresponding to 09 Jumada Al-Thani 1443) after satisfying the Merger conditions agreed between the two companies in the Merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the Merger, including the expiry of the creditors' objection period with no outstanding or unsettled objections. The merger resulted in the increase of the paid-up capital from 400,000 to 638,525.

The formalities to update the legal documents are under process.

2. STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

a) IFRS 17: INSURANCE CONTRACTS

Overview

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

The new standard applies to insurance contracts issued and to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts.

It requires separating the following components from insurance contracts:
Embedded derivatives if they meet certain specified criteria;
Distinct investment components; and
Any promise to transfer distinct goods or non-insurance services.

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

Measurement

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

1. The General Measurement Model (GMM) is based on the following "building blocks":
   a) The Fulfillment Cash Flows (FCF) which comprise:
      A probability-weighted estimate of future cash flows; and
      An adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with the future cash flows; and
      A risk adjustment for non-financial risk.

   b) The Contractual Service Margin (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 and any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

   At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is re-measured to be the sum of:
   The liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
   Liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

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

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

2. 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:
   The entity's share of the changes in the fair value of underlying items; and
   The effect of changes in the time value of money and in financial risks not relating to the underlying items.

3. The Premium Allocation Approach (PAA), a simplified approach, 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.

   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.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Effective date

The International Accounting Standards Board ("IASB") issued an Exposure Draft in June 2019 - Amendments to IFRS 17 proposing certain amendments to IFRS 17 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting.

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently 01 January 2021. Under this exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 01 January 2022. This was a deferral of 1 year compared to the previous date of 01 January 2021. Further, on 17 March 2020, The International Accounting Standards Board (IASB) completed its discussions on the amendments to IFRS 17 and decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 01 January 2023.

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 01 January 2023.

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 the new standard will result in a change to the accounting policies for insurance contracts, reinsurance contracts and to any investment contracts with discretionary participating features together with amendments to presentation and disclosures.

Impact

Impact Area	Summary of Progress
Financial Impact	The Company has successfully finalized the reassessment of 2020 results as part of the 1st Dry-Run orchestrated by the regulator and submitted on 30 November 2021 to SAMA. Based on the conducted simulation, the financial impact of applying IFRS 17 compared to IFRS 4 was not significant. The Company will solidify its view on the financial impact while completing the 2nd and 3rd dry-runs, planned before the end of 2022.
Governance and control framework	The Company has put a comprehensive IFRS 17 governance program in place, which includes establishing a Steering Committee to monitor the progress of implementation and assign roles and responsibilities to various stakeholders. The Steering Committee is reporting to the Company's Audit Committee.
Technical and Process Impact	The initial assessment of products offered by the Company concluded that all products qualify to be measured using the Premium Allocation Approach "PAA". The process impact have been assessed and documented during the gap assessment process covering actuarial valuation, accounting processes, disclosures and other relevant matters. The Company has completed various policy papers encompassing various technical and accounting matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently, the majority of policy papers have been approved by the Company's IFRS 17 project Steering Committee. No major technical or process impact was reported during the completion of the 1st dry-run simulation.
Data	Based on the measurement model adopted, the Company believes that the impact of data is not significant, and the Company will be able to manage the data requirements accordingly. As part of the implementation phase, the Company has developed a comprehensive data policy and data dictionary which is reviewed periodically to ensure readiness for the effective date of the new standard. No major data deficiencies or shortfalls were reported during the completion of the 1st –dry-run simulation.
IT Systems	Following a thorough assessment of the business requirements and the capabilities of the various IFRS 17 systems available in the region, the Company has selected the most suitable IFRS 17 tool. The tool has been implemented successfully and used for processing and extracting the simulated results for the 1st dry-run. In coordination with the Company's appointed advisor and appointed actuary, the Steering Committee is actively working to close any identified gaps before the due date of the 2nd dry-run simulation.
Other areas impacted	None

b) IFRS 9: FINANCIAL INSTRUMENTS

Overview

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

A 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 the following conditions are met:
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
The contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss.

Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

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

Additionally, for financial liabilities that are designated as 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 01 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 as follows:

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

   The effective date of a new insurance contract standard; or
   Annual reporting periods beginning on or after 01 January 2023.

   Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously.

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

To date the Company has performed a preliminary assessment which reviewed two factors as follows:
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
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 this preliminary assessment 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, IFRS 17. Disclosures related to financial assets required during the deferral period are set out in the impact assessment below.

Impact assessment

At 31 December 2021, the Company's total financial assets and total insurance related assets amount to 1,026,928 and 150,651 respectively. Financial assets and insurance related assets are not necessarily mutually exclusive in terms of classification. The total financial assets are composed of financial assets held at amortized cost and other financial assets.

Financial assets held at amortized cost amount to 701,290 and consist of cash and cash equivalents, short-term fixed deposits, premium and reinsurance receivables and other receivables.

Other financial assets amount to 325,638 and consist of available for sale investments. The Company may use the FVOCI classification for these other financial assets based on the business model of the Company for debt securities and the strategic nature of equity investments. The Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9.

The foregoing is based on a preliminary high-level impact assessment of IFRS 9 based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being available in the future.

The Company expects some impacts from implementing IFRS 9, however it is not possible to provide a reasonable estimate of these impacts until the Company has performed a detailed review.

c) OTHER STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

   These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

2. Amendments to IFRS 3, IAS 16, IAS 37

   - IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
   - IAS 16, 'Property, and equipment' prohibit a company from deducting from the cost of property, and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
   - IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

3. Amendments to IAS 1, Practice statement 2 and IAS 8

   The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

4. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

   These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

4 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The accounting policies, estimates and assumptions used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 and no new or amended accounting policies or accounting standards were adopted by the Company during 2021 to date.

Financial statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments - see Note 4(r).

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

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

The statement of financial position is presented in order of liquidity but is not presented using a current / non-current classification. The table below identifies current and non-current assets and liabilities.

Assets:

Current

- Cash and cash equivalents
- Short term fixed income deposits
- Premiums and reinsurers' receivable – net
- Reinsurers' share of unearned gross premiums
- Reinsurers' share of outstanding gross claims
- Reinsurers' share of gross claims incurred but not reported
- Deferred excess of loss expenses
- Deferred policy acquisition costs
- Deferred third party administrator expenses
- Deferred withholding tax
- Deferred regulators' levies
- Investments
- Due from related parties – net
- Prepaid expenses and other assets

Non-current

- Property and equipment – net
- Intangible assets – net
- Goodwill
- Statutory deposit
- Accrued income on statutory deposit

Liabilities:

Current

- Accrued and other liabilities
- Reinsurers' balances payable
- Unearned gross premiums
- Unearned reinsurance commission
- Outstanding gross claims
- Gross claims incurred but not reported
- Premium deficiency reserve
- Other technical reserves
- Due to related parties
- Accounts payable
- Withholding tax provision
- Regulators' levies provision
- Policyholders' surplus distribution payable
- Zakat
- Income tax

Non-current

- End-of-service indemnities
- Accrued commission income payable to SAMA

As required by the Implementing Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and approved by the Board of Directors.

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

The statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 38 of the financial statements have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of insurance operations and shareholders' operations.

Accordingly, the statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 38 of the financial statements reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

The inclusion of separate information of insurance operations and shareholders' operations in the statement of financial position and statements of income, comprehensive income and cash flows as well as certain relevant notes to the financial statements represent supplementary information required by the Implementing Regulations but not required by IFRS.

b) Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgements and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing the financial statements significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied for the year ended 31 December 2020. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, please see Note 32 to these financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables
The Company assesses impairment for receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company establishes if there is objective evidence that all amounts due may not be collectible in accordance with the original terms of the contract and evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Insurance contract liabilities
For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of Claims Incurred But not yet Reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analyzed by underwriting year, accident year and further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Impairment of financial instruments
Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.

c) Seasonality of operations

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

d) Currencies

Exchange rates prevailing at the date of transactions are used to translate transactions denominated in foreign currencies to Saudi Riyals.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Resulting gains or losses, both realised and unrealised, are recognised as income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

e) Trade date accounting

All purchases and sales of financial instruments are accounted for at trade date being the date the Company commits to purchase or sell.

f) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provided amount to be recovered, the recovery is recognised only when it is believed to be certain.

g) Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

h) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the instrument has an impact on the estimated future cash flows of the instrument or the group of instruments 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 instrument 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 instruments since the initial recognition of those instruments, although the decrease cannot yet be identified with the individual financial instruments in the Company. This could include 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.

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

- For instruments carried at fair value impairment arises to the extent significant or prolonged decline in fair value has occurred.
- For instruments carried at amortized cost impairment arises to the extent discounted estimated future cash flows are significantly less than amortized cost.

For debt instruments classified as available for sale the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognised the impairment loss is reversed.

The determination of what is significant or prolonged requires judgement. In making this judgement a period of 12 months or longer is considered to be prolonged and decline of 30% from original cost is considered to be significant.

The Company considers factors such as market's assessment of creditworthiness as reflected in bond yields, rating agencies' assessment, country's ability to access capital markets 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 amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

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

i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Assets that are subject to depreciation are reviewed for impairment annually or earlier if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-generating units and cash flows.

j) Derecognition of financial instruments

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

k) Recognition of premium and commission income

Gross Premiums and Gross Commission Income are recognised as revenue when the insurance policy is issued.

Ceded Premiums are deducted from Gross Premiums to arrive at Net Premiums.

Gross and Ceded Premiums and Gross Commission Income which relate to cover periods beyond the end of a financial period are calculated by the Company and reported as Unearned using the following methods:

Marine cargo risks:
Last three months actual period of cover preceding the reporting date.

Engineering construction risks with period of cover greater than one year:
Linearly increasing sums at risk applied to actual period of cover.

All other risks:
Pro-rata to actual period of cover.

l) Deferred Costs

Certain costs are deferred on initial recognition and subsequently expensed in direct proportion to income recognition of the underlying premiums to which they relate.

The costs subject to this policy are:

- Policy acquisition costs payable to insurance companies, brokers, agents and employees arising from the writing or renewing of insurance contracts.
- Withholding taxes levied on foreign payments.
- Regulators' levies.
- Excess of loss expenses.
- Third party administrator expenses arising from processing of medical claims

Impairment reviews are conducted regularly and any impairment loss is reflected in the statement of income.

m) Insurance and reinsurance contracts

Insurance contracts are those contracts where the insurer has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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 in this period.

Reinsurance contracts, by which the Company cedes insurance risks to reinsurers, are entered into by the Company in the normal course of business.

Under such contracts the Company agrees to cede part of the underlying premium to the reinsurer and the reinsurer agrees to pay commission on the ceded premium to the Company and to compensate the Company for losses arising on the underlying insurance contract.

Amounts recoverable from or due to reinsurers are recognised in the statement of financial position and the statement of income consistently with the treatment of amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

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

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

Reinsurance contracts do not relieve the Company from its obligations to policyholders.

n) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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 Board of Directors.

o) Events after the reporting date

Adjustments are made to reflect the impact of events occurring between the reporting and publishing dates provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed but no adjustment is made for their impact.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank current accounts and deposits (including short term highly liquid investments) with original maturities of three months or less.

q) Fixed income deposits

Short term fixed income deposits are deposits maturing after 3 and before 12 months from the deposit placement date.

Long term fixed income deposits are deposits maturing more than 12 months from the deposit placement date.

r) Investments

The Company does not invest in derivatives.

At initial recognition the Company classifies it's non derivative investments into three categories depending on the purpose for which the investments were acquired or originated - held to maturity, fair value through income statement and available for sale.

At the current reporting date all investments are classified by the Company as available for sale.

Distributions of income for all three classifications are recognised when the right to receive the income is established. The income is reported in the statements of income.

Investments are derecognised when the right to receive cash flows and/or substantially all risks and rewards of ownership have expired or been transferred.

Held to maturity

Investments classified as held to maturity are those with fixed or determinable income and fixed maturities which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at amortised cost using the effective interest rate method.

Valuation impairments are reported in the statements of income.

Valuation gains are reported in the statements of income only to the extent of cumulative impairments previously recognised.

Realised gains and losses arising on derecognition are reported in the statements of income.

Fair value through income statement

Investments classified as fair value through income statement are those acquired with the intention of trading in the near term.

These investments are initially recognised at fair value with any related transaction costs directly attributable to the acquisition charged to the statements of income on acquisition.

At each reporting date they are remeasured at fair value with the resulting unrealised gains or losses and any impairment charges reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Available for sale

Investments classified as available for sale are those which are not classified as held to maturity or as fair value through income statement and are acquired with the primary intention of holding for an indefinite period of time but which may require to be traded sooner in response to a need for liquidity or as a result of market changes.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at fair value unless they do not have a quoted market price or there is no other appropriate method from which to derive reliable fair value in which case they remain stated at cost less any impairment.

Unrealised gains and losses arising from a remeasurement at fair value are reported in other comprehensive income and cumulatively held in a separate equity reserve unless the investment is impaired.

On derecognition of unimpaired investments the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income. Realised gains and losses arising on derecognition are reported in the statements of income.

On impairment of investments the impairment charges are reported in the statements of income and the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Reclassification of available for sale investments

The Company evaluates whether the ability and intention to sell available for sale investments in the near future is still appropriate. If due to inactive markets the Company is unable to trade such investments it may elect to reclassify if it has the ability and intention to hold the investments for the foreseeable future or until maturity.

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Company has the intention and ability to hold the investments for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Company has the ability and intention to hold the investment until maturity.

For an investment reclassified out of available for sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that investment that has been recognised in equity is amortised to the statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the investment using the effective interest rate method.

If the investment is subsequently determined to be impaired the amount recorded in equity is reclassified to the statement of income.

s) Premiums and reinsurers' receivables

Premiums receivables are stated at gross written premiums receivable from insurance contracts less an allowance for any uncollectible amounts. Premiums and reinsurer receivables are initially recognised at inception of the related insurance contract measured at the fair value of the consideration receivable. The carrying value of receivables is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable the impairment loss is recognised in the statement of income. Receivable balances are derecognised 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 cash flows attributable to the balance are passed through an independent third party. Receivables disclosed in Note 7 fall under the scope of IFRS 4 - Insurance Contracts.

The Implementing Regulations define the basis for the provision for doubtful receivables based on ageing of receivables from date of inception of insurance contracts regardless of any credit terms granted to the insured or reinsurer.

t) Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major refurbishment costs are capitalised when incurred if it is probable that future economic benefits resulting from incurring the cost will arise and the cost can be measured reliably. All other repair and maintenance costs are charged to the statement of income as they are incurred.

Depreciation is provided on a straight line basis over the useful lives of the assets at the following rates:

Fixed assets	Useful life in years
Leasehold fixtures	6
Office furniture	5
Office equipment	4
Motor vehicles	5
IT equipment	3 - 4

Intangible Assets	Useful life in years
Software	5

The assets' residual values and remaining useful lives are continually reviewed and adjusted if appropriate.

Impairment losses are recognised as an expense.

An item of property, equipment or an intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised as income or expense.

Capital work-in-progress includes tangible and intangible assets being developed for future use and are not depreciated. When the assets are commissioned the work-in-progress amount is transferred to the respective asset categories and thereafter depreciated as set out above with effect from the commissioning date.

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

u) Leases

The Company recognises right-of-use assets representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

There are optional exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

v) Goodwill

Goodwill is initially recognised at cost and is not amortised but subsequent to initial recognition is tested for impairment annually and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount is less than their carrying amount, an impairment loss is recognised.

Impairment losses are not reversed in subsequent periods.

w) Claims

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

In addition to amounts already paid, claims include estimated provisions determined from loss reports for claims reported but not settled together with provisions based on the Company's judgement and prior experience for claims incurred but not reported (IBNR).

Any differences crystalizing between the provisions at the reporting date and subsequent settlements or adjustments to those provisions are recognised in the statement of income as income or expense as appropriate.

The Company does not discount its liability for unpaid claims as substantially all reported claims are expected to be paid within one year from occurrence.

While the Company believes that the estimated provisions are adequate, nevertheless, the ultimate liability of the outstanding claims may be in excess of or less than the provided amounts.

Some insurance contracts permit the Company to subsequently sell assets acquired in settling a claim usually damaged or salvaged goods and the Company may also have rights to pursue third parties for payment of some or all claim costs. Estimates of salvage and subrogation recoveries are included in the measurement of outstanding claims.

x) Liability adequacy test

At each reporting date the Company assesses whether there is any overall excess of expected claims over unearned premiums net of deferred acquisition costs. This calculation uses current estimates of future contractual cash flows after taking account of the return expected to arise on assets relating to the relevant insurance technical provisions. If that assessment shows that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the entire deficiency is immediately recognized and a provision created.

y) Provision for end of service indemnities

Benefits payable to Company employees at the end of their service are provided for in accordance with the labour laws of Saudi Arabia.

The cost of this benefit for each employee is charged over their period of employment and provisions are continually re-assessed and adjusted on the basis of current salary, related benefits and completed service.

On cessation of employment, the entitlement will be paid based upon the employees' final salary, related benefits and length of service.

Interim payments may be approved at the Company's discretion for employees with service in excess of 10 years.

The Company has calculated end of service liability in accordance with IAS 19.

No material difference arises between this amount and the liability calculated in accordance with the Labour Laws of the Kingdom of Saudi Arabia and accordingly no adjustment was required to the financial statements.

z) Dividend distribution

Dividend distribution is recognized as a liability in the period in which the dividend is approved by the shareholders.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2021	2020
Insurance operations		
Bank balances and cash	50,146	73,386
Deposits maturing within 3 months from the acquisition date	180,916	285,117
Total	**231,062**	**358,503**
Shareholders' operations		
Bank balances and cash	326	5,933
Deposits maturing within 3 months from the acquisition date	134,167	153,309
Total	**134,493**	**159,242**
Combined balances		
Bank balances and cash	50,472	79,319
Deposits maturing within 3 months from the acquisition date	315,083	438,426
Total	**365,555**	**517,745**

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology. The deposits earn commission at an average rate of 2.81% per annum as at 31 December 2021 (2020: 1.03%).

6. STATUTORY DEPOSIT

In compliance with the Insurance Implementation Regulation of SAMA, the Company maintains a deposit of 40,000 (31 December 2020: 30,000) in a deposit account at The Saudi British Bank. This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.

The accrued income on the deposit as at 31 December 2021 is 3,134 (31 December 2020: 3,002) and has been disclosed as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued commission income payable to SAMA".

Please see Note 23 for increase in share capital.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

7. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivable comprise amounts due from the following:

Non related parties	2021	2020
Policyholders	40,954	27,939
Brokers and agents	85,658	43,173
Receivables from reinsurers	36,486	5,886
Premiums and reinsurers' receivable – gross	163,098	76,998
Provision for doubtful receivables	(13,633)	(6,860)
Premiums and reinsurers' receivable – net	**149,465**	**70,138**
Related parties		
Policyholders	13,554	8,022
Provision for doubtful receivables	(605)	(1,500)
Due from related parties – net	**12,949**	**6,522**

Movement in the combined provision

	2021	2020
Balance at start of year	8,360	7,120
Provided	5,878	1,240
Balance at end of year	**14,238**	**8,360**

Ageing of receivables:

2021	Not Due or Impaired	Due but not impaired 0 - 30 Days	31 - 90 Days	91 - 180 Days	Due and age impaired 181 - 365 Days	> 365 Days	Total
Non related parties							
Policyholders	18,602	7,771	5,731	3,423	1,849	3,578	40,954
Brokers and agents	53,071	16,694	9,521	2,879	2,095	1,398	85,658
Reinsurers	0	25,117	(207)	10,348	613	615	36,486
Total	**71,673**	**49,582**	**15,045**	**16,650**	**4,557**	**5,591**	**163,098**
Related parties	**5,731**	**3,766**	**1,875**	**1,323**	**476**	**383**	**13,554**
2020							
Non related parties							
Policyholders	9,576	3,359	9,177	2,193	1,985	1,649	27,939
Brokers and agents	35,773	3,935	1,032	805	1,164	464	43,173
Reinsurers	0	1,597	26	881	1,810	1,572	5,886
Total	**45,349**	**8,891**	**10,235**	**3,879**	**4,959**	**3,685**	**76,998**
Related Parties	**5,571**	**339**	**448**	**1,099**	**552**	**13**	**8,022**

The Company only enters into insurance and reinsurance contracts with recognised credit worthy parties. All customers wishing to trade on credit terms are subject to credit verification procedures. All receivables are continuously monitored to minimise exposure to bad debts. The five largest receivables at 31 December 2021 account for 54% of the total (31 December 2020: 57%).

ALL AMOUNTS IN SAR '000

8. INVESTMENTS

There are no investments for Insurance Operations at 31 December 2021 (31 December 2020: None).

All investments shown below are for Shareholders' Operations.

Classification of investment balances	2021	2020
Available for sale	325,638	246,555
Total investments	**325,638**	**246,555**

Movement in investments	2021	2020
Investments at cost	248,981	229,148
Cumulative unrealised gains	(2,426)	4,986
Total balance at start	**246,555**	**234,134**
Purchases at cost	215,000	115,000
Disposals at cost	(139,333)	(95,167)
Net movement at cost	**75,667**	**19,833**
Net change in fair value of investments	16,596	358
Net realised amounts transferred to statement of income	(13,180)	(7,770)
Net change in unrealised fair value of investments	**3,416**	**(7,412)**
Investments at cost	324,648	248,981
Cumulative unrealised gains / (losses)	990	(2,426)
Total balance at end	**325,638**	**246,555**

Realised gains to Statement of Income	2021	2020
Proceeds from disposal of investments	152,513	102,937
Costs of investments sold	(139,333)	(95,167)
Realised gains	**13,180**	**7,770**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and 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 advantageous accessible market for the asset or liability.

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

Fair value hierarchy

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

Level 1: Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and 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 liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

No financial instruments measured at fair value exist for Insurance Operations at 31 December 2021 (31 December 2020: None).

Available for sale investments are the only financial instruments measured at fair value for Shareholders' Operations.

Available for Sale Investments	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**
Mutual funds	0	154,667	0	154,667
Sukuk	0	156,346	0	156,346
Equities	12,702	0	1,923	14,625
Total 31 December 2021	**12,702**	**311,013**	**1,923**	**325,638**
Mutual funds	0	114,868	0	114,868
Sukuk	0	117,346	0	117,346
Equities	12,418	0	1,923	14,341
Total 31 December 2020	**12,418**	**232,214**	**1,923**	**246,555**

There were no transfers or reclassifications between or within levels during the year ended 2021 (year ended 31 December 2020: None).

Measurement of fair values for above level categories

- The Level 1 equities are valued based on quoted market price.
- Fair values for the Level 2 mutual funds are determined based on net assets value as provided by fund manager and Sukuk holdings are determined based on broker quotes.
- The Level 3 unquoted equity investment represents the Company's holding in Najm for Insurance Services ("Najm"), a service provider to the motor insurance industry in Saudi Arabia. Najm is jointly owned by the insurance companies participating in motor class. Carrying value is currently reflected at historical cost. The annual financial statements of Najm are examined and analysed to assess any need for impairment.

The analysis of available for sale investments held at fair value is shown in Note 8.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

10. PROPERTY AND EQUIPMENT – NET

	Leasehold Fixtures	Office Furniture	Office Equipment	Motor Vehicles	IT Equipment	Capital Work in Progress	Total
Cost							
Balance 31 Dec 2019	5,294	1,504	3,353	235	7,632	580	18,598
Additions	0	15	77	0	1,358	0	1,450
Transfers	0	0	0	0	442	(442)	0
Disposals	0	0	0	(62)	(4)	0	(66)
Balance 31 Dec 2020	**5,294**	**1,519**	**3,430**	**173**	**9,428**	**138**	**19,982**
Balance 31 Dec 2020	5,294	1,519	3,430	173	9,428	138	19,982
Additions	0	21	7	201	615	263	1,107
Transfers	0	0	211	0	0	(211)	0
Disposals	0	0	0	0	0	0	0
Balance 31 Dec 2021	**5,294**	**1,540**	**3,648**	**374**	**10,043**	**190**	**21,089**
Accumulated Depreciation							
Balance 31 Dec 2019	3,975	1,276	2,991	203	6,646	0	15,091
Additions	534	112	198	24	1,039	0	1,907
Disposals	0	0	0	(62)	(3)	0	(65)
Balance 31 Dec 2020	**4,509**	**1,388**	**3,189**	**165**	**7,682**	**0**	**16,933**
Balance 31 Dec 2020	4,509	1,388	3,189	165	7,682	0	16,933
Additions	349	94	290	10	700	0	1,443
Disposals	0	0	0	0	0	0	0
Balance 31 Dec 2021	4,858	1,482	3,479	175	8,382	0	18,376
Net Book Value 31 Dec 2020	**785**	**131**	**241**	**8**	**1,746**	**138**	**3,049**
Net Book Value 31 Dec 2021	**436**	**58**	**169**	**199**	**1,661**	**190**	**2,713**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

11. INTANGIBLE ASSETS – NET

	Software	Capital Work in Progress	Total
Cost			
Balance 31 Dec 2019	13,477	7,109	20,586
Additions	3,318	935	4,253
Transfers	7,838	(7,838)	0
Balance 31 Dec 2020	**24,633**	**206**	**24,839**
Balance 31 Dec 2020	24,633	206	24,839
Additions	1,704	1,899	3,603
Transfers	406	(406)	0
Balance 31 Dec 2021	**26,743**	**1,699**	**28,442**
Accumulated Amortisation			
Balance 31 Dec 2019	12,135	0	12,135
Additions	2,701	0	2,701
Balance 31 Dec 2020	**14,836**	**0**	**14,836**
Balance 31 Dec 2020	14,836	0	14,836
Additions	2,939	0	2,939
Balance 31 Dec 2021	**17,775**	**0**	**17,775**
Net Book Value 31 Dec 2020	**9,797**	**206**	**10,003**
Net Book Value 31 Dec 2021	**8,968**	**1,699**	**10,667**

12. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of 49,100.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to 20,826 as per the audited financial statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to 69,926.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by 2,306 to 46,794. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from 69,926 to 67,619 which has been fully paid with no further amounts owing.

The Company carried out an assessment of impairment, annually concluding the fair value less cost to sell approach to determine the reasonable value, based on the assessment the goodwill is not consider to be impaired.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

13. ACCOUNTS PAYABLE

	2021	2020
Policy acquisition costs payable	8,520	3,676
Third party administrator payable	3,799	10
Other accounts payable	31,545	37,868
Total	**43,864**	**41,554**

14. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

Written premiums	2021	2020
Gross premiums written	558,166	552,708
Ceded premiums written	(163,576)	(212,921)
Net	394,590	339,787
Excess of loss expenses incurred	(3,780)	(2,794)
Net premiums written	390,810	336,993

Earned premiums	2021	2020
Gross premiums earned	558,709	529,634
Ceded premiums earned	(193,735)	(177,829)
Net	364,974	351,805
Excess of loss expenses incurred	(3,780)	(2,794)
Net premiums earned	361,194	349,011

15. MOVEMENT IN UNEARNED PREMIUMS

2021	Gross	Reinsurance	Net
Balance at start of year	190,453	(71,532)	118,921
Premium written during year	558,166	(167,356)	390,810
Premium earned during year	(558,709)	197,515	(361,194)
Balance at end of year	189,910	(41,373)	148,537
Change in unearned premiums	(543)	30,159	29,616

2020	Gross	Reinsurance	Net
Balance at start of year	167,379	(36,440)	130,939
Premium written during year	552,708	(215,715)	336,993
Premium earned during year	(529,634)	180,623	(349,011)
Balance at end of year	190,453	(71,532)	118,921
Change in unearned premiums	23,074	(35,092)	(12,018)

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

16. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

Written commission	2021	2020
Standard commission written	28,329	37,013
Profit commission written	2,262	1,952
Total commission written	30,591	38,965

Earned commission	2021	2020
Standard commission earned	33,685	30,218
Profit commission earned	2,262	1,952
Total commission earned	35,947	32,170

17. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

2021	Standard Commission	Profit Commission	Total Commission
Balance at start of year	14,148	0	14,148
Commission written during year	28,329	2,262	30,591
Commission earned during year	(33,685)	(2,262)	(35,947)
Balance at end of year	8,792	0	8,792
Change in unearned commission	(5,356)	0	(5,356)

2020	Standard Commission	Profit Commission	Total Commission
Balance at start of year	7,353	0	7,353
Commission written during year	37,013	1,952	38,965
Commission earned during year	(30,218)	(1,952)	(32,170)
Balance at end of year	14,148	0	14,148
Change in unearned commission	6,795	0	6,795

18. NET OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	2021	2020
Outstanding gross claims	87,531	126,934
Sub Total	**87,531**	**126,934**
Gross claims incurred but not reported	160,342	170,884
Premium deficiency reserve	11,250	15,500
Other technical reserves	6,700	13,000
Outstanding gross claims and technical reserves	**265,823**	**326,318**
Less reinsurers' share of outstanding gross claims	(57,553)	(96,840)
Less reinsurers' share of gross claims incurred but not reported	(41,599)	(54,631)
Outstanding claims and technical reserves, net	**166,671**	**174,847**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

19. MOVEMENT IN OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

2021	Gross	Reinsurers	Net
Outstanding claims	126,934	(96,840)	30,094
IBNR reserve	170,884	(54,631)	116,253
Premium deficiency reserve	15,500	0	15,500
Other technical reserves	13,000	0	13,000
Total at start of year	**326,318**	**(151,471)**	**174,847**
Provided claims	339,568	(58,085)	281,483
Provided IBNR reserve	(10,542)	13,032	2,490
Provided premium deficiency reserve	(4,250)	0	(4,250)
Provided other technical reserves	(6,300)	0	(6,300)
Total provided during the year	**318,476**	**(45,053)**	**273,423**
Paid claims during the year	**(378,971)**	**97,372**	**(281,599)**
Outstanding claims	87,531	(57,553)	29,978
Outstanding IBNR reserve	160,342	(41,599)	118,743
Outstanding premium deficiency reserve	11,250	0	11,250
Outstanding other technical reserves	6,700	0	6,700
Total at end of year	**265,823**	**(99,152)**	**166,671**
Change in outstanding claims	(39,403)	39,287	(116)
Change in IBNR reserve	(10,542)	13,032	2,490
Change in premium deficiency reserve	(4,250)	0	(4,250)
Change in other technical reserves	(6,300)	0	(6,300)

2020	Gross	Reinsurers	Net
Outstanding claims	141,054	(89,304)	51,750
IBNR reserve	178,325	(73,250)	105,075
Premium deficiency reserve	2,000	0	2,000
Other technical reserves	9,000	0	9,000
Total at start of year	**330,379**	**(162,554)**	**167,825**
Provided claims	293,450	(66,851)	226,599
Provided IBNR reserve	(7,441)	18,619	11,178
Provided premium deficiency reserve	13,500	0	13,500
Provided other technical reserves	4,000	0	4,000
Total provided during the year	**303,509**	**(48,232)**	**255,277**
Paid claims during the year	**(307,570)**	**59,315**	**(248,255)**
Outstanding claims	126,934	(96,840)	30,094
Outstanding IBNR reserve	170,884	(54,631)	116,253
Outstanding premium deficiency reserve	15,500	0	15,500
Outstanding other technical reserves	13,000	0	13,000
Total at end of year	**326,318**	**(151,471)**	**174,847**
Change in outstanding claims	(14,120)	(7,536)	(21,656)
Change in IBNR reserve	(7,441)	18,619	11,178
Change in premium deficiency reserve	13,500	0	13,500
Change in other technical reserves	4,000	0	4,000

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

20. CLAIMS DEVELOPMENT

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

The triangulation analysis and tables below reflect, by accident year, the cumulative development of reported claims up to each subsequent annual reporting date. Cumulative payments against reported claims are shown and deducted from the cumulative development of reported claims to show the reserve for outstanding reported claims. The reserve at the latest reporting date for incurred but not reported claims (IBNR) is added to complete the estimate of the ultimate value of claims cumulatively incurred to that reporting date whether reported or not. Comparative tables at 31 December 2020 are shown.

Quarterly evaluation techniques review the adequate of IBNR reserves and the Company's capability to accurately predict the ultimate claims liability.

Claims development table gross of reinsurance

Accident Years	2016 & Earlier	2017	2018	2019	2020	2021	Total
2021							
Estimate of ultimate claims costs							
At the end of accident year	2,676,911	345,326	337,050	410,537	256,313	311,432	
One year later	2,714,312	373,654	396,610	449,867	315,117		
Two years later	2,722,368	374,951	395,357	437,475			
Three years later	2,720,631	374,280	386,304				
Four years later	2,720,362	367,199					
Five years later	2,718,222						
Current estimate of cumulative claims	2,718,222	367,199	386,304	437,475	315,117	311,432	4,535,749
Cumulative payments to date	(2,694,848)	(359,312)	(373,601)	(427,092)	(308,449)	(284,916)	(4,448,218)
Liability recognised in statement of financial position	23,374	7,887	12,703	10,383	6,668	26,516	87,531
Incurred but not reported claims							160,342
Premium deficiency reserve							11,250
Other technical reserves							6,700
Outstanding claims and reserves							265,823

Accident Years	2015 & Earlier	2016	2017	2018	2019	2020	Total
2020							
Estimate of ultimate claims costs							
At the end of accident year	2,339,733	275,158	345,326	337,050	410,537	256,313	
One year later	2,401,753	316,901	373,654	396,610	449,867		
Two years later	2,397,411	321,112	374,951	395,357			
Three years later	2,401,256	320,322	374,280				
Four years later	2,400,309	319,872					
Five years later	2,400,491						
Current estimate of cumulative claims	2,400,491	319,872	374,280	395,357	449,867	256,313	4,196,180
Cumulative payments to date	(2,381,291)	(312,735)	(359,297)	(371,702)	(424,665)	(219,556)	(4,069,246)
Liability recognised in statement of financial position	19,200	7,137	14,983	23,655	25,202	36,757	126,934
Incurred but not reported claims							170,884
Premium deficiency reserve							15,500
Other technical reserves							13,000
Outstanding claims and reserves							326,318

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Claims development table net of reinsurance

Accident Years	2016 & Earlier	2017	2018	2019	2020	2021	Total
2021							
Estimate of ultimate claims costs							
At the end of accident year	1,249,458	229,420	253,177	334,481	187,818	283,367	
One year later	1,281,022	247,866	309,369	372,820	189,535		
Two years later	1,287,186	248,941	308,957	371,482			
Three years later	1,286,484	248,760	308,765				
Four years later	1,287,521	247,872					
Five years later	1,286,338						
Current estimate of cumulative claims	1,286,338	247,872	308,765	371,482	189,535	283,367	2,687,359
Cumulative payments to date	(1,279,384)	(245,547)	(306,923)	(369,005)	(187,146)	(269,376)	(2,657,381)
Liability recognised in statement of financial position	6,954	2,325	1,842	2,477	2,389	13,991	29,978
Incurred but not reported claims							118,743
Premium deficiency reserve							11,250
Other technical reserves							6,700
Outstanding claims and reserves							166,671

Accident Years	2015 & Earlier	2016	2017	2018	2019	2020	Total
2020							
Estimate of ultimate claims costs							
At the end of accident year	1,026,196	188,154	229,420	253,177	334,481	187,818	
One year later	1,061,304	220,320	247,866	309,369	372,820		
Two years later	1,060,702	222,813	248,941	308,957			
Three years later	1,064,373	223,500	248,760				
Four years later	1,062,984	223,731					
Five years later	1,063,790						
Current estimate of cumulative claims	1,063,790	223,731	248,760	308,957	372,820	187,818	2,405,876
Cumulative payments to date	(1,058,241)	(220,756)	(245,552)	(306,064)	(368,101)	(177,068)	(2,375,782)
Liability recognised in statement of financial position	5,549	2,975	3,208	2,893	4,719	10,750	30,094
Incurred but not reported claims	5,021	7,099	15,572	4,002	2,485	82,074	116,253
Premium deficiency reserve							15,500
Other technical reserves							13,000
Outstanding claims and reserves							174,847

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

21. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided for in accordance with regulations currently in force in Saudi Arabia.

The temporary and permanent differences between financial and adjusted taxable results are mainly due to adjustments to depreciation, provisions and other items in accordance with the income tax regulations. Deferred tax arising out of these differences is not significant and accordingly was not provided for.

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

	2021	2020
Percentages applicable to zakat and income tax		
Shareholding percentage subject to zakat	94%	94%
Shareholding percentage subject to income tax	6%	6%
Movement on zakat account		
Balance start of year	36,483	31,059
Provided	9,713	11,321
Paid	(6,980)	(5,897)
Balance end of year	**39,216**	**36,483**
Movement on income tax account		
Balance start of year	1,752	952
Provided	741	624
Paid	(993)	176
Balance end of year	**1,500**	**1,752**

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2020.

The returns filed covering periods to 31 December 2014 have been agreed and finalised with Zakat, Tax and Customs Authority ("ZATCA"), zakat and income tax liabilities arising thereon have been discharged in full. Final assessments are awaited for the remaining outstanding years.

22. VALUE ADDED TAX

The Company has received an initial Value Added Tax ("VAT") assessment from ZATCA for the years ended 31 December 2018 to 31 December 2020. Accordingly the Company has booked necessary accruals within the financial statements. Final outcome of the assessments are still pending as of 31 December 2021.

23. SHARE CAPITAL

The Board of Directors resolved in their meeting held on 12 January 2021 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

The resolution provided for a share capital increase from 300,000 to 400,000 by issuing one bonus share for every three shares held thereby increasing the number of shares in issue from 30,000,000 shares to 40,000,000 shares with the additional 100,000 share capital generated by capitalising 80,000 from retained earnings and 20,000 from statutory reserve.

Approval was received from the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) on 08 April 2021 and 06 May 2021, respectively. Approval from shareholders was obtained in the general assembly meeting held on 09 June 2021 and the bonus shares were issued on 10 June 2021.

The total transaction costs relating to the bonus share issue amounted to 35.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

24. STATUTORY RESERVE

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the By-Laws, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes other comprehensive income/(loss) items.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

25. EARNINGS PER SHARE – RESTATED

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the period.

In calculating earnings per share, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

Earnings per share is calculated based on the revised number of shares in issue following the bonus share issue on 10 June 2021 and prior comparatives have been restated accordingly.

As there are no dilutive effects, basic and diluted SAR earnings per share are the same.

26. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

	2021	2020
Balance start of year	4,570	2,697
Surplus provided during year	2,869	3,138
Surplus distributed during year	(2,319)	(1,265)
Balance end of year	**5,120**	**4,570**

27. CAPITAL MANAGEMENT

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:

- Minimum net assets of 100,000 – calculated after adjusting for admissibility factors
- Premium solvency margin calculation
- Claims solvency margin calculation

The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of financial position as at 31 December 2021 totals 488,713 consisting of paid-up share capital 400,000, statutory reserves 26,097, retained earnings 64,386, fair value gain on investments 990 and re-measurement reserve for end of service indemnities (2,760) (at 31 December 2020 totals 461,904 consisting of paid-up share capital 300,000, statutory reserves 40,866, retained earnings 123,464, fair value reserve on investments (2,426) and re-measurement reserve for end of service indemnities Nil).

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

28. RELATED PARTY TRANSACTIONS AND BALANCES

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the year ended 31 December 2021 means the following six people (year ended 31 December 2020: six people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the four other executives (year ended 31 December 2020: four other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the year ended 31 December 2021 and 2020. Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken by examining the financial position of and the market in which each related party operates. For the year ended 31 December 2021, the Company has not recorded any impairment of receivables relating to amounts due from related parties (year ended 31 December 2020: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Remuneration of Board of Directors and Committee Members for the year ended 31 December 2021

A provision amounting to 2,140 was made in the financial statements for the year ended 31 December 2021 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2022.

Remuneration of Board and Committee Secretaries for year ended 31 December 2021

A provision amounting to 110 was made in the financial statements for year ended 31 December 2021, in respect of remuneration for the Board Secretary. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2022.

Remuneration of Board of Directors and Committee Members for year ended 31 December 2020

A provision amounting to 1,700 was made in the financial statements for year ended 31 December 2020 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees and approval to pay up to this amount was granted at the Annual General Assembly held on 12 June 2021 and 1,670 was subsequently paid.

Remuneration of Board and Committee Secretaries for year ended 31 December 2020

A provision amounting to 50 was made in the financial statements for year ended 31 December 2020, in respect of remuneration for the Board Secretary and approval to pay up to this amount was granted at the Annual General Assembly held on 12 June 2021 and 155 was subsequently paid.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Salaries and Allowances of Key Executives and Board Secretary

Salaries and Allowances encompass all elements of compensation including provision for end of service benefit.

Salaries and Allowances	2021	2020
Provided and paid for key executives	7,263	8,014

Transactions with and amounts due to and from related parties

Transactions with related parties	2021	2020
Gross written premiums from related parties		
Shareholders	231	203
Committees, board secretary and key executives	24	18
Entities controlled or significantly influenced	219,158	203,532
Ceded written premiums to related parties		
Entities controlled or significantly influenced	87	166
Commissions from related parties		
Entities controlled or significantly influenced	17	39
Commissions to related parties		
Entities controlled or significantly influenced	0	(1)
Gross claims paid by related parties		
Shareholders	73	25
Entities controlled or significantly influenced	124,683	104,532
Ceded claims paid to related parties		
Entities controlled or significantly influenced	0	1

Amounts due to and from related parties	2021	2020
Amounts due from related parties		
Shareholders	0	46
Entities controlled or significantly influenced	13,554	7,976
Provision	(605)	(1,500)
Total due from related parties, net	12,949	6,522
Amounts due to related parties		
Shareholders	0	0
Entities controlled or significantly influenced	566	29,395
Total due to related parties	566	29,395

29. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance operations - geographic segments:

The Company has since incorporation operated primarily in Saudi Arabia.

Insurance operations - operating segments:

Operating segments are identified on the basis of internal reports concerning 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 segments and assess performance.

Transactions between operating segments are on normal commercial terms and conditions.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of income.

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

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are accrued and other liabilities, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, zakat, income tax and accrued commission income payable to SAMA.

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

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

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 and for its total revenues, expenses and net income for the years then ended are as follows:

Operating segments at 31 Dec 2021	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	18,871	0	17,273	5,229	41,373	0	41,373
Reinsurers' share of outstanding gross claims	23,140	0	30,054	4,359	57,553	0	57,553
Reinsurers' share of gross claims incurred but not reported	35,001	0	5,726	872	41,599	0	41,599
Deferred policy acquisition costs	2,095	6,830	733	468	10,126	0	10,126
Deferred third party administrator expenses	0	5,849	0	0	5,849	0	5,849
Deferred withholding tax	945	0	767	261	1,973	0	1,973
Deferred regulators' levies	191	1,888	86	34	2,199	0	2,199
Total allocated assets	**80,243**	**14,567**	**54,639**	**11,223**	**160,672**	**0**	**160,672**
Unallocated assets:							
Cash and cash equivalents					231,062	134,493	365,555
Premiums and reinsurers' receivable – net					149,465	0	149,465
Investments					0	325,638	325,638
Due from related parties – net					12,949	0	12,949
Prepaid expenses and other assets					28,669	2,366	31,035
Property and equipment – net					2,713	0	2,713
Intangible assets – net					10,667	0	10,667
Goodwill					0	46,794	46,794
Statutory deposit					0	40,000	40,000
Accrued income and statutory deposit					0	3,134	3,134
Total unallocated assets					**435,525**	**552,425**	**987,950**
TOTAL ASSETS					**596,197**	**552,425**	**1,148,622**
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	412	0	8,971	4,491	13,874	0	13,874
Unearned gross premiums	38,049	125,854	19,194	6,813	189,910	0	189,910
Unearned reinsurance commission	3,774	0	3,870	1,148	8,792	0	8,792
Outstanding gross claims	40,660	4,420	37,678	4,773	87,531	0	87,531
Gross claims incurred but not reported	70,000	81,750	7,401	1,191	160,342	0	160,342
Premium deficiency reserve	1,600	9,650	0	0	11,250	0	11,250
Other technical reserves	3,000	2,600	920	180	6,700	0	6,700
Total allocated liabilities	**157,495**	**224,274**	**78,034**	**18,596**	**478,399**	**0**	**478,399**
Unallocated liabilities:							
Accrued and other liabilities					69,873	2,512	72,385
Due to related parties					566	0	566
Accounts payable					43,864	0	43,864
Withholding tax provision					3,863	0	3,863
Regulators' levies provision					1,655	0	1,655
End-of-service indemnities					10,207	0	10,207
Policyholders' surplus distribution payable					5,120	0	5,120
Zakat					0	39,216	39,216
Income tax					0	1,500	1,500
Accrued commission income payable to SAMA					0	3,134	3,134
Total unallocated liabilities					**135,148**	**46,362**	**181,510**
TOTAL LIABILITIES					**613,547**	**46,362**	**659,909**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Operating segments at 31 Dec 2020	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	49,080	0	16,859	5,593	71,532	0	71,532
Reinsurers' share of outstanding gross claims	23,122	0	43,494	30,224	96,840	0	96,840
Reinsurers' share of gross claims incurred but not reported	40,599	0	7,987	6,045	54,631	0	54,631
Deferred policy acquisition costs	2,324	3,174	974	560	7,032	0	7,032
Deferred third party administrator expenses	0	1,842	0	0	1,842	0	1,842
Deferred withholding tax	2,454	0	759	280	3,493	0	3,493
Deferred regulators' levies	416	1,229	88	31	1,764	0	1,764
Total allocated assets	**117,995**	**6,245**	**70,161**	**42,733**	**237,134**	**0**	**237,134**
Unallocated assets:							
Cash and cash equivalents					358,503	159,242	517,745
Premiums and reinsurers' receivable – net					70,138	0	70,138
Investments					0	246,555	246,555
Due from related parties – net					6,522	0	6,522
Prepaid expenses and other assets					28,526	9,097	37,623
Property and equipment – net					3,049	0	3,049
Intangible assets – net					10,003	0	10,003
Goodwill					0	46,794	46,794
Statutory deposit					0	30,000	30,000
Accrued income and statutory deposit					0	3,002	3,002
Total unallocated assets					**476,741**	**494,690**	**971,431**
TOTAL ASSETS					**713,875**	**494,690**	**1,208,565**
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	13,888	0	2,284	2,654	18,826	0	18,826
Unearned gross premiums	82,951	81,954	19,367	6,181	190,453	0	190,453
Unearned reinsurance commission	9,411	0	3,676	1,061	14,148	0	14,148
Outstanding gross claims	39,832	3,040	52,200	31,862	126,934	0	126,934
Gross claims incurred but not reported	81,200	73,500	9,809	6,375	170,884	0	170,884
Premium deficiency reserve	3,250	12,250	0	0	15,500	0	15,500
Other technical reserves	6,850	3,880	1,290	980	13,000	0	13,000
Total allocated liabilities	**237,382**	**174,624**	**88,626**	**49,113**	**549,745**	**0**	**549,745**
Unallocated liabilities:							
Accrued and other liabilities					56,780	2,958	59,738
Due to related parties					29,395	0	29,395
Accounts payable					41,554	0	41,554
Withholding tax provision					9,561	0	9,561
Regulators' levies provision					2,944	0	2,944
End-of-service indemnities					7,917	0	7,917
Policyholders' surplus distribution payable					4,570	0	4,570
Zakat					0	36,483	36,483
Income tax					0	1,752	1,752
Accrued commission income payable to SAMA					0	3,002	3,002
Total unallocated liabilities					**152,721**	**44,195**	**196,916**
TOTAL LIABILITIES					**702,466**	**44,195**	**746,661**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Operating segments for the year ended 31 December 2021	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	65,828	21,292	4,811	0	91,931
• Very small corporate entities	6,318	6,217	1,027	0	13,562
• Small corporate entities	6,027	8,401	9,667	0	24,095
• Medium corporate entities	6,938	6,760	5,052	0	18,750
• Large corporate entities	24,782	273,173	86,448	25,425	409,828
Gross premiums written – total	109,893	315,843	107,005	25,425	558,166
Reinsurance premiums ceded – local	(10,988)	0	(8,865)	(241)	(20,094)
Reinsurance premiums ceded – foreign	(43,476)	0	(81,229)	(18,777)	(143,482)
Excess of loss expenses	(1,437)	0	(1,779)	(564)	(3,780)
Net premiums written	**53,992**	**315,843**	**15,132**	**5,843**	**390,810**
Change in unearned gross premiums	44,901	(43,900)	173	(631)	543
Change in reinsurers' share of unearned gross premiums	(30,208)	0	413	(364)	(30,159)
Net premiums earned	**68,685**	**271,943**	**15,718**	**4,848**	**361,194**
Reinsurance commissions	16,534	0	15,127	4,286	35,947
Other underwriting income	5,811	8,763	6	0	14,580
TOTAL REVENUES	**91,030**	**280,706**	**30,851**	**9,134**	**411,721**
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(142,074)	(215,519)	(9,634)	(11,744)	(378,971)
Reinsurers' share of gross claims paid	79,521	0	8,268	9,583	97,372
Net claims paid	**(62,553)**	**(215,519)**	**(1,366)**	**(2,161)**	**(281,599)**
Changes in outstanding gross claims	(829)	(1,380)	14,523	27,089	39,403
Changes in reinsurers' share of outstanding gross claims	18	0	(13,440)	(25,865)	(39,287)
Changes in gross IBNR	11,200	(8,250)	2,408	5,184	10,542
Changes in reinsurers' share of gross IBNR	(5,597)	0	(2,262)	(5,173)	(13,032)
Net claims incurred	**(57,761)**	**(225,149)**	**(137)**	**(926)**	**(283,973)**
Premium deficiency reserve	1,650	2,600	0	0	4,250
Other technical reserves	3,850	1,280	370	800	6,300
Policy acquisition costs	(4,635)	(7,078)	(1,394)	(2,188)	(15,295)
Third party administrator expenses	94	(7,097)	0	0	(7,003)
Withholding tax	(3,746)	0	(3,619)	(985)	(8,350)
Regulators' levies	(419)	(3,345)	(85)	25	(3,824)
Other underwriting expenses	(16,981)	1,613	(4,799)	(1,670)	(21,837)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(77,948)**	**(237,176)**	**(9,664)**	**(4,944)**	**(329,732)**
NET UNDERWRITING INCOME / (LOSS)	**13,082**	**43,530**	**21,187**	**4,190**	**81,989**
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(541)	(4,460)	(644)	(233)	(5,878)
General and administrative expenses	(12,207)	(23,374)	(8,936)	(2,067)	(46,584)
Depreciation and amortisation	(1,214)	(2,133)	(841)	(194)	(4,382)
Commission income on deposits	984	1,726	680	157	3,547
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**(12,978)**	**(28,241)**	**(9,741)**	**(2,337)**	**(53,297)**
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	**104**	**15,289**	**11,446**	**1,853**	**28,692**
Absorption of deficit by / transfer of surplus to Shareholders	(94)	(13,760)	(10,301)	(1,668)	(25,823)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	**10**	**1,529**	**1,145**	**185**	**2,869**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Operating segments for the year ended 31 December 2020	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
• Individuals	124,411	18,079	2,277	0	144,767
• Very small corporate entities	623	6,700	305	0	7,628
• Small corporate entities	3,826	5,545	2,456	0	11,827
• Medium corporate entities	3,159	4,055	2,420	0	9,634
• Large corporate entities	34,354	217,777	89,312	37,409	378,852
Gross premiums written – total	166,373	252,156	96,770	37,409	552,708
Reinsurance premiums ceded – local	(16,348)	0	(7,822)	55	(24,115)
Reinsurance premiums ceded – foreign	(82,289)	0	(73,400)	(33,117)	(188,806)
Excess of loss expenses	(1,213)	0	(1,581)	0	(2,794)
Net premiums written	**66,523**	**252,156**	**13,967**	**4,347**	**336,993**
Change in unearned gross premiums	(55,524)	33,975	(627)	(898)	(23,074)
Change in reinsurers' share of unearned gross premiums	32,698	0	1,589	805	35,092
Net premiums earned	**43,697**	**286,131**	**14,929**	**4,254**	**349,011**
Reinsurance commissions	12,643	0	13,712	5,815	32,170
Other underwriting income	2,973	3,833	0	0	6,806
TOTAL REVENUES	**59,313**	**289,964**	**28,641**	**10,069**	**387,987**
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(68,237)	(218,410)	(2,816)	(18,107)	(307,570)
Reinsurers' share of gross claims paid	40,337	0	2,298	16,680	59,315
Net claims paid	**(27,900)**	**(218,410)**	**(518)**	**(1,427)**	**(248,255)**
Changes in outstanding gross claims	(5,974)	23,388	(3,878)	584	14,120
Changes in reinsurers' share of outstanding gross claims	4,965	0	3,193	(622)	7,536
Changes in gross IBNR	23,800	(25,500)	4,916	4,225	7,441
Changes in reinsurers' share of gross IBNR	(11,900)	0	(2,694)	(4,025)	(18,619)
Net claims incurred	**(17,009)**	**(220,522)**	**1,019**	**(1,265)**	**(237,777)**
Premium deficiency reserve	(3,250)	(10,250)	0	0	(13,500)
Other technical reserves	(3,400)	(300)	60	(360)	(4,000)
Policy acquisition costs	(3,366)	(6,167)	(2,382)	(2,912)	(14,827)
Third party administrator expenses	(172)	(7,009)	0	0	(7,181)
Withholding tax	(2,531)	0	(3,273)	(1,614)	(7,418)
Regulators' levies	(473)	(4,292)	(444)	(183)	(5,392)
Other underwriting expenses	(7,885)	(1,194)	(597)	(624)	(10,300)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(38,086)**	**(249,734)**	**(5,617)**	**(6,958)**	**(300,395)**
NET UNDERWRITING INCOME / (LOSS)	**21,227**	**40,230**	**23,024**	**3,111**	**87,592**
OTHER OPERATING INCOME / (EXPENSES)					
(Allowance for) / Reversal of doubtful debts	(217)	(731)	(205)	(87)	(1,240)
General and administrative expenses	(18,788)	(16,103)	(13,421)	(5,369)	(53,681)
Depreciation and amortisation	(1,611)	(1,382)	(1,155)	(460)	(4,608)
Commission income on deposits	1,162	997	831	332	3,322
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**(19,454)**	**(17,219)**	**(13,950)**	**(5,584)**	**(56,207)**
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS	**1,773**	**23,011**	**9,074**	**(2,473)**	**31,385**
Absorption of deficit by / transfer of surplus to Shareholders	(1,596)	(20,710)	(8,167)	2,226	(28,247)
NET RESULT FROM INSURANCE OPERATIONS AFTER ABSORPTION OF DEFICIT BY / TRANSFER OF SURPLUS TO SHAREHOLDERS	**177**	**2,301**	**907**	**(247)**	**3,138**

30. RISK MANAGEMENT

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic targets approved by the Board of Directors.

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

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

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

Risks faced by the Company

The Company is exposed to insurance, reinsurance, credit, currency, interest rate, liquidity, regulatory framework, geographical concentration, investment market price and other operational risks. The way these risks are mitigated are summarised below.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur if the frequency, severity or absolute amounts of claims are more than expected.

Insurance risk is monitored regularly by the Company to establish if the levels are within the projected frequency bands.

The insurance risks arising from insurance contracts are concentrated in Saudi Arabia.

Insurance risk is influenced by the frequency, severity and absolute amounts of claims. Careful evaluation of risks through implementation of underwriting strategy, together with the use of reinsurance, reduce risk.

The Company underwrites mainly property, accident, motor, medical, marine and group protection and savings 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 diversification and short term nature mitigates risk.

Property and Accident
For property contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties, contents insured and profits of the underlying businesses. The cost of rebuilding properties, replacing contents and the time taken to restart operations following business interruptions are the main factors that influence the level of claims.

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

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Medical
For medical contracts the main risks are medical expenses incurred for treatment and illness.

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

Protection and Savings
The Company writes Protection and Savings Policies and also writes Group Life including Group Credit Life and PHI policies which are categorised as Protection and Savings notwithstanding the absence of savings elements.

The main risks for Protections and Savings Policies are morbidity and mortality of the insured.

In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

The business is protected by extensive reinsurance cover with low retention which affords protection from adverse experience, single large losses, multiple claims and concentrations of risk.

Sources of uncertainty in estimation of future claim payments

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

Process used to decide on assumptions

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

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

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

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

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

Sensitivity Analysis

The amount of the provision for outstanding claims, net including IBNR is sensitive to the basis for making judgements and estimates as outlined in Note 4(b). The net underwriting result set out in the statement of insurance operations will be directly impacted by the amount that the provision for outstanding claims, net including IBNR is understated or overstated as a result of this process.

The impact on net income which would result from an increase or decrease of 5% in net incurred claims with all other assumptions held constant is shown below.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

Net Claims Incurred Increase / (Decrease)	% Change	Impact on Net Income 2021	2020
Motor	+5%	(2,888)	(850)
Medical	+5%	(11,257)	(11,026)
Property and Casualty	+5%	(7)	51
Protection and Savings	+5%	(46)	(63)
Total		**(14,198)**	**(11,888)**
Motor	-5%	2,888	850
Medical	-5%	11,257	11,026
Property and Casualty	-5%	7	(51)
Protection and Savings	-5%	46	63
Total		**14,198**	**11,888**

b) Reinsurance risk

The Company effects reinsurance with other parties in the normal course of business in order to minimise its financial exposure to potential losses arising from large insurance claims. The reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

Reinsurers are selected using parameters such as minimum acceptable credit rating, reputation and past performance. Local companies who do not carry a formal credit rating are accepted to a limited degree provided they are registered with and approved by local Regulators.

Although the Company has reinsurance arrangements it is not relieved of its direct obligations to its policyholders in the event that a reinsurer failed to meet its obligations.

c) Credit risk

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

The maximum exposure of the Company to credit risk if a default was made by the counter party is equal to the carrying amount of these financial instruments.

The Company seeks to limit credit risk with respect to customers by constant monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to agents and brokers by, on a selective basis, setting credit limits, maintenance of cash deposits with the Company and monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to bank time deposits by only dealing with reputable banks and by generally placing deposits for periods of not more than twelve months.

To minimise its exposure to significant losses from reinsurer insolvencies, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

The amounts due from reinsurers are contractually due within a maximum sixty days from end of quarter in which the payment is made for claims under treaty reinsurance and treaty retention excess of loss reinsurance and ninety days for claims under facultative reinsurance.

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

	2021	2020
Premiums and reinsurers' receivable – gross	163,098	76,998
Due from related parties – gross	13,554	8,022
Reinsurers' share of outstanding gross claims	57,553	96,840
Total	**234,205**	**181,860**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

d) Currency risk

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

The Company primarily transacts in Saudi Riyals and at any time balances held in other currencies are of immaterial amounts only and therefore the Company believes that there is minimal risk of significant losses due to exchange rate fluctuations.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

Deposits are generally placed for periods not exceeding twelve months.

An annualized increase or decrease of 1% in interest yields would have an impact on annual profits of 3,151 (year ended 31 December 2020: impact on annual profits of 4,384).

The commission and non-commission bearing deposits and investments of the Company and their maturities at 31 December 2021 and 31 December 2020 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations				
31 December 2021	180,916	0	0	180,916
31 December 2020	285,117	0	0	285,117
Shareholders' Operations				
31 December 2021	134,167	0	325,638	459,805
31 December 2020	153,309	0	246,555	399,864

f) 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 a monthly basis and the Company has ensured that sufficient liquid funds are available to meet any commitments as they arise.

g) Regulatory framework risk

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

h) Geographical concentration of risks

The Company's insurance policies primarily relate to risks covered in Saudi Arabia.

i) Investment market price risks

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

The Company's investments amounting to 325,638 (31 December 2020: 246,555) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value % change	Effect on Company's profit
31 December 2021	- 10%	(32,564)
31 December 2021	+10%	32,564
31 December 2020	- 10%	(24,656)
31 December 2020	+10%	24,656

The sensitivity analysis presented is based upon the portfolio position at 31 December 2021 and 31 December 2020. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

j) Other operational risks

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

Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for investors and security for policyholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors who encompass controls in the following areas:

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

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

31. MATURITY PROFILE

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

The following assets and liabilities in the statement of financial position are excluded from the table below either because they are classified as non-financial assets or non-financial liabilities or because they are not represented by underlying contractual obligations – reinsurers' share of unearned gross premiums, deferred costs, property and equipment – net, intangible assets – net, goodwill, unearned gross premiums, unearned reinsurance commission, premium deficiency reserve, other technical reserves and policyholders' surplus distribution payable.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

	Up to one year	More than one year	Total
31 December 2021			
Financial Assets			
Cash and cash equivalents	365,555	0	365,555
Premiums and reinsurers' receivable - net	149,465	0	149,465
Reinsurers' share of outstanding gross claims	57,553	0	57,553
Reinsurers' share of gross claims incurred but not reported	41,599	0	41,599
Investments	325,638	0	325,638
Due from related parties – net	12,949	0	12,949
Prepaid expenses and other assets	31,035	0	31,035
Statutory deposit	0	40,000	40,000
Accrued income on statutory deposit	0	3,134	3,134
Total	**983,794**	**43,134**	**1,026,928**
Financial Liabilities			
Accrued and other liabilities	72,385	0	72,385
Reinsurers' balances payable	13,874	0	13,874
Outstanding gross claims	87,531	0	87,531
Gross claims incurred but not reported	160,342	0	160,342
Due to related parties	566	0	566
Accounts payable	43,864	0	43,864
Withholding tax provision	3,863	0	3,863
Regulators' levies provision	1,655	0	1,655
End-of-service indemnities	0	10,207	10,207
Zakat	39,216	0	39,216
Income tax	1,500	0	1,500
Accrued commission income payable to SAMA	0	3,134	3,134
Total	**424,796**	**13,341**	**438,137**
31 December 2020			
Financial Assets			
Cash and cash equivalents	517,745	0	517,745
Premiums and reinsurers' receivable - net	70,138	0	70,138
Reinsurers' share of outstanding gross claims	96,840	0	96,840
Reinsurers' share of gross claims incurred but not reported	54,631	0	54,631
Investments	246,555	0	246,555
Due from related parties – net	6,522	0	6,522
Prepaid expenses and other assets	37,623	0	37,623
Statutory deposit	0	30,000	30,000
Accrued income on statutory deposit	0	3,002	3,002
Total	**1,030,054**	**33,002**	**1,063,056**
Financial Liabilities			
Accrued and other liabilities	59,738	0	59,738
Reinsurers' balances payable	18,826	0	18,826
Outstanding gross claims	126,934	0	126,934
Gross claims incurred but not reported	170,884	0	170,884
Due to related parties	29,395	0	29,395
Accounts payable	41,554	0	41,554
Withholding tax provision	9,561	0	9,561
Regulators' levies provision	2,944	0	2,944
End-of-service indemnities	0	7,917	7,917
Zakat	36,483	0	36,483
Income tax	1,752	0	1,752
Accrued commission income payable to SAMA	0	3,002	3,002
Total	**498,071**	**10,919**	**508,990**

32. IMPACT OF COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 31 December 2021 for its liability adequacy test.

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.

For new policies written as per above circular, the premium is earned over the period of coverage i.e. 14 month as per the Company accounting policy. There is no significant impact of two months extension in earned premium as of 31 December 2021 as no material amounts of premium have been written during the one month period.

Financial assets

To cater for any potential impacts, the Covid-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

33. COMMITMENTS AND CONTINGENCIES

At 31 December 2021 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	2021	2020
Medical provider	1,000	1,000
Group medical insurance policy – Request for proposal	0	1,819
Capital commitments for systems software	1,884	1,764
Total	**2,884**	**4,583**

The Company is subject to legal proceedings in the ordinary course of business.

At 31 December 2021 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

34. END-OF-SERVICE INDEMNITIES

The Company has carried out actuarial valuation of its end-of-service benefits obligation as at 31 December 2021. The employees' end-of-service benefits recognized in the statement of income, statement of comprehensive income and in the statement of financial position.

The amounts recognized in the statement of financial position.

	2021	2020
Present value of end-of-service benefits	10,207	7,917

Movement in present value of end-of-service benefits

	2021	2020
End-of-service benefits at the beginning of year	7,917	8,435
Current service and interest cost	1,066	1,923
Actuarial loss on end of service indemnities	2,760	0
End-of-service indemnities paid	(1,536)	(2,441)
Present value of end-of-service benefits at the end of year	**10,207**	**7,917**

Principal actuarial assumptions

The following range of significant actuarial assumptions was made by the Company for the valuation of end-of-service benefits

	2021	2020
Discount rate	6%	8%
Rate of salary increase	3.5%	3.5%
Normal retirement age	60	60

Sensitivity analysis of actuarial assumptions

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

	2021	2020
Valuation discount rate		
- Increase by 0.5%	(145)	(124)
- Decrease by 0.5%	159	136
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	209	152
- Decrease by 0.5%	(190)	(140)

35. SUBSEQUENT EVENT

The Company has announced the effectiveness of the merger of ATC into the Company on 12 January 2022 (corresponding to 09 Jumada Al-Thani 1443) after satisfying the Merger conditions agreed between the two companies in the Merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the Merger, including the expiry of the creditors' objection period with no outstanding or unsettled objections. The merger resulted in the increase of the paid-up capital from 400,000 to 638,525.

The formalities to update the legal documents are under process.

36. COMPARATIVE FIGURES

Certain prior year amounts or balances may have been reclassified to conform to the current presentation.

37. BOARD OF DIRECTORS' APPROVAL

The Financial Statements were approved by the Board of Directors on 16 February 2022.

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

38. SUPPLEMENTARY INFORMATION

STATEMENTS OF FINANCIAL POSITION	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total	2020 Insurance Operations	2020 Shareholders' Operations	2020 Total
ASSETS						
Cash and cash equivalents	231,062	134,493	365,555	358,503	159,242	517,745
Premiums and reinsurers' receivable – net	149,465	0	149,465	70,138	0	70,138
Reinsurers' share of unearned gross premiums	41,373	0	41,373	71,532	0	71,532
Reinsurers' share of outstanding gross claims	57,553	0	57,553	96,840	0	96,840
Reinsurers' share of gross claims incurred but not reported	41,599	0	41,599	54,631	0	54,631
Deferred policy acquisition costs	10,126	0	10,126	7,032	0	7,032
Deferred third party administrator expenses	5,849	0	5,849	1,842	0	1,842
Deferred withholding tax	1,973	0	1,973	3,493	0	3,493
Deferred regulators' levies	2,199	0	2,199	1,764	0	1,764
Investments	0	325,638	325,638	0	246,555	246,555
Due from insurance / shareholders' operations	14,590	(14,590)	0	(11,409)	11,409	0
Due from related parties – net	12,949	0	12,949	6,522	0	6,522
Prepaid expenses and other assets	28,669	2,366	31,035	28,526	9,097	37,623
Property and equipment – net	2,713	0	2,713	3,049	0	3,049
Intangible assets – net	10,667	0	10,667	10,003	0	10,003
Goodwill	0	46,794	46,794	0	46,794	46,794
Statutory deposit	0	40,000	40,000	0	30,000	30,000
Accrued income on statutory deposit	0	3,134	3,134	0	3,002	3,002
TOTAL ASSETS	**610,787**	**537,835**	**1,148,622**	**702,466**	**506,099**	**1,208,565**
LIABILITIES						
Accrued and other liabilities	69,873	2,512	72,385	56,780	2,958	59,738
Reinsurers' balances payable	13,874	0	13,874	18,826	0	18,826
Unearned gross premiums	189,910	0	189,910	190,453	0	190,453
Unearned reinsurance commission	8,792	0	8,792	14,148	0	14,148
Outstanding gross claims	87,531	0	87,531	126,934	0	126,934
Gross claims incurred but not reported	160,342	0	160,342	170,884	0	170,884
Premium deficiency reserve	11,250	0	11,250	15,500	0	15,500
Other technical reserves	6,700	0	6,700	13,000	0	13,000
Due to related parties	566	0	566	29,395	0	29,395
Accounts payable	43,864	0	43,864	41,554	0	41,554
Withholding tax provision	3,863	0	3,863	9,561	0	9,561
Regulators' levies provision	1,655	0	1,655	2,944	0	2,944
End-of-service indemnities	10,207	0	10,207	7,917	0	7,917
Policyholders' surplus distribution payable	5,120	0	5,120	4,570	0	4,570
Zakat	0	39,216	39,216	0	36,483	36,483
Income tax	0	1,500	1,500	0	1,752	1,752
Accrued commission income payable to SAMA	0	3,134	3,134	0	3,002	3,002
TOTAL LIABILITIES	**613,547**	**46,362**	**659,909**	**702,466**	**44,195**	**746,661**
EQUITY						
Share capital	0	400,000	400,000	0	300,000	300,000
Statutory reserve	0	26,097	26,097	0	40,866	40,866
Retained earnings	0	64,386	64,386	0	123,464	123,464
Fair value reserve gain / (loss) on investments	0	990	990	0	(2,426)	(2,426)
TOTAL SHAREHOLDERS' EQUITY	**0**	**491,473**	**491,473**	**0**	**461,904**	**461,904**
Re-measurement reserve for end of service indemnities	(2,760)	0	(2,760)	0	0	0
TOTAL EQUITY	**(2,760)**	**491,473**	**488,713**	**0**	**461,904**	**461,904**
TOTAL LIABILITIES AND EQUITY	**610,787**	**537,835**	**1,148,622**	**702,466**	**506,099**	**1,208,565**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENTS OF INCOME	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total	2020 Insurance Operations	2020 Shareholders' Operations	2020 Total
REVENUES						
Gross premiums written	558,166	0	558,166	552,708	0	552,708
Reinsurance premiums ceded – local	(20,094)	0	(20,094)	(24,115)	0	(24,115)
Reinsurance premiums ceded – foreign	(143,482)	0	(143,482)	(188,806)	0	(188,806)
Excess of loss expenses	(3,780)	0	(3,780)	(2,794)	0	(2,794)
Net premiums written	**390,810**	**0**	**390,810**	**336,993**	**0**	**336,993**
Change in unearned gross premiums	543	0	543	(23,074)	0	(23,074)
Change in reinsurers' share of unearned gross premiums	(30,159)	0	(30,159)	35,092	0	35,092
Net premiums earned	**361,194**	**0**	**361,194**	**349,011**	**0**	**349,011**
Reinsurance commissions	35,947	0	35,947	32,170	0	32,170
Other underwriting income	14,580	0	14,580	6,806	0	6,806
TOTAL REVENUES	**411,721**	**0**	**411,721**	**387,987**	**0**	**387,987**
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(378,971)	0	(378,971)	(307,570)	0	(307,570)
Reinsurers' share of gross claims paid	97,372	0	97,372	59,315	0	59,315
Net claims paid	**(281,599)**	**0**	**(281,599)**	**(248,255)**	**0**	**(248,255)**
Changes in outstanding gross claims	39,403	0	39,403	14,120	0	14,120
Changes in reinsurers' share of outstanding gross claims	(39,287)	0	(39,287)	7,536	0	7,536
Changes in gross IBNR	10,542	0	10,542	7,441	0	7,441
Changes in reinsurers' share of gross IBNR	(13,032)	0	(13,032)	(18,619)	0	(18,619)
Net claims incurred	**(283,973)**	**0**	**(283,973)**	**(237,777)**	**0**	**(237,777)**
Premium deficiency reserve	4,250	0	4,250	(13,500)	0	(13,500)
Other technical reserves	6,300	0	6,300	(4,000)	0	(4,000)
Policy acquisition costs	(15,295)	0	(15,295)	(14,827)	0	(14,827)
Third party administrator expenses	(7,003)	0	(7,003)	(7,181)	0	(7,181)
Withholding tax	(8,350)	0	(8,350)	(7,418)	0	(7,418)
Regulators' levies	(3,824)	0	(3,824)	(5,392)	0	(5,392)
Other underwriting expenses	(21,837)	0	(21,837)	(10,300)	0	(10,300)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(329,732)**	**0**	**(329,732)**	**(300,395)**	**0**	**(300,395)**
NET UNDERWRITING INCOME	**81,989**	**0**	**81,989**	**87,592**	**0**	**87,592**
OTHER OPERATING INCOME / (EXPENSES)						
(Allowance for) / Reversal of doubtful debts	(5,878)	0	(5,878)	(1,240)	0	(1,240)
General and administrative expenses	(46,584)	(10,414)	(56,998)	(53,681)	(2,730)	(56,411)
Depreciation and amortisation	(4,382)	0	(4,382)	(4,608)	0	(4,608)
Commission income on deposits	3,547	1,855	5,402	3,322	2,200	5,522
Commission income on sukuk	0	4,531	4,531	0	4,023	4,023
Dividend income	0	1,632	1,632	0	4,092	4,092
Realised gains on investments	0	13,180	13,180	0	7,770	7,770
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**(53,297)**	**10,784**	**(42,513)**	**(56,207)**	**15,355**	**(40,852)**
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	**28,692**	**10,784**	**39,476**	**31,385**	**15,355**	**46,740**
Attributable to Insurance Operations	(25,823)	25,823	0	(28,247)	28,247	0
INCOME BEFORE ZAKAT AND INCOME TAX	**2,869**	**36,607**	**39,476**	**3,138**	**43,602**	**46,740**
Zakat charge	0	(9,713)	(9,713)	0	(11,321)	(11,321)
Income tax charge	0	(741)	(741)	0	(624)	(624)
INCOME AFTER ZAKAT AND INCOME TAX	**2,869**	**26,153**	**29,022**	**3,138**	**31,657**	**34,795**
Basic and diluted SAR earnings per share, restated		0.65			0.79	

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

	2021			2020		
STATEMENTS OF COMPREHENSIVE INCOME	**Insurance Operations**	**Shareholders' Operations**	**Total**	**Insurance Operations**	**Shareholders' Operations**	**Total**
Income after zakat and income tax	**2,869**	**26,153**	**29,022**	**3,138**	**31,657**	**34,795**
Other comprehensive income / (loss)						
Items that will not be reclassified to statements of income in subsequent periods:						
Actuarial loss on end of service indemnities	(2,760)	0	(2,760)	0	0	0
Items that are or may be reclassified to statements of income in subsequent years:						
Available for sale investments:						
Net change in fair value of investments	0	16,596	16,596	0	358	358
Realised gains transferred to statement of income	0	(13,180)	(13,180)	0	(7,770)	(7,770)
Net change in unrealised fair value of investments	**0**	**3,416**	**3,416**	**0**	**(7,412)**	**(7,412)**
COMPREHENSIVE INCOME FOR THE YEAR	**109**	**29,569**	**29,678**	**3,138**	**24,245**	**27,383**

FOR THE YEAR ENDED 31 DECEMBER 2021 ALL AMOUNTS IN SAR '000

STATEMENTS OF CASH FLOWS	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total	2020 Insurance Operations	2020 Shareholders' Operations	2020 Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before zakat and income tax	2,869	36,607	39,476	3,138	43,602	46,740
Adjustments for non-cash items:						
Depreciation of property and equipment	1,443	0	1,443	1,907	0	1,907
Amortisation of intangible assets	2,939	0	2,939	2,701	0	2,701
Gain on disposal of property and equipment	(2)	0	(2)	(15)	0	(15)
Allowance for doubtful debts	5,878	0	5,878	1,240	0	1,240
Provisions for withholding tax	6,830	0	6,830	9,145	0	9,145
Provisions for regulatory levies	4,259	0	4,259	5,165	0	5,165
Provision for end-of-service indemnities	1,066	0	1,066	1,923	0	1,923
Realised gains on disposal of investments	0	(13,180)	(13,180)	0	(7,770)	(7,770)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(86,100)	0	(86,100)	25,877	0	25,877
Reinsurers' share of gross unearned premiums	30,159	0	30,159	(35,092)	0	(35,092)
Reinsurers' share of outstanding gross claims	39,287	0	39,287	(7,536)	0	(7,536)
Reinsurers' share of gross claims incurred but not reported	13,032	0	13,032	18,619	0	18,619
Deferred policy acquisition costs	(3,094)	0	(3,094)	869	0	869
Deferred third party administrator expenses	(4,007)	0	(4,007)	652	0	652
Deferred withholding tax	1,520	0	1,520	(1,727)	0	(1,727)
Deferred regulators' levies	(435)	0	(435)	227	0	227
Due from related parties	(5,532)	0	(5,532)	948	0	948
Prepaid expenses and other assets	(143)	6,731	6,588	(9,786)	(6,064)	(15,850)
Accounts payable	2,310	0	2,310	16,048	0	16,048
Accrued and other liabilities	13,093	(446)	12,647	9,593	693	10,286
Reinsurers' balances payable	(4,952)	0	(4,952)	3,718	0	3,718
Unearned gross premiums	(543)	0	(543)	23,074	0	23,074
Unearned reinsurance commission	(5,356)	0	(5,356)	6,795	0	6,795
Outstanding gross claims	(39,403)	0	(39,403)	(14,120)	0	(14,120)
Gross claims incurred but not reported	(10,542)	0	(10,542)	(7,441)	0	(7,441)
Premium deficiency reserve	(4,250)	0	(4,250)	13,500	0	13,500
Other technical reserves	(6,300)	0	(6,300)	4,000	0	4,000
Due to shareholders' operations	(25,999)	25,999	0	40,202	(40,202)	0
Due to related parties	(28,829)	0	(28,829)	10,086	0	10,086
Payments:						
End-of-service indemnities paid	(1,536)	0	(1,536)	(2,441)	0	(2,441)
Withholding tax paid	(12,528)	0	(12,528)	(8,441)	0	(8,441)
Regulators' levies paid	(5,548)	0	(5,548)	(3,982)	0	(3,982)
Surplus paid to policyholders	(2,319)	0	(2,319)	(1,265)	0	(1,265)
Zakat paid	0	(6,980)	(6,980)	0	(5,897)	(5,897)
Income tax paid	0	(993)	(993)	0	176	176
Net cash generated from / (used in) operating activities	**(122,733)**	**47,738**	**(74,995)**	**107,581**	**(15,462)**	**92,119**

FOR THE YEAR ENDED 31 DECEMBER 2021 | ALL AMOUNTS IN SAR '000

	2021			2020		
STATEMENTS OF CASH FLOWS (Continued)	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of investments	0	(215,000)	(215,000)	0	(115,000)	(115,000)
Proceeds from disposal of investments	0	152,513	152,513	0	102,937	102,937
Proceeds from short term fixed income deposits	0	0	0	40,000	0	40,000
Additions of property and equipment	(1,107)	0	(1,107)	(1,450)	0	(1,450)
Proceeds from disposal of property and equipment	2	0	2	16	0	16
Additions of intangible assets	(3,603)	0	(3,603)	(4,253)	0	(4,253)
Increase in statutory deposit	0	(10,000)	(10,000)	0	0	0
Net cash generated from / (used in) investing activities	**(4,708)**	**(72,487)**	**(77,195)**	**34,313**	**(12,063)**	**22,250**
Net change in cash and cash equivalents	(127,441)	(24,749)	(152,190)	141,894	(27,525)	114,369
Cash and cash equivalents at start of year	358,503	159,242	517,745	216,609	186,767	403,376
Cash and cash equivalents at end of year	**231,062**	**134,493**	**365,555**	**358,503**	**159,242**	**517,745**
NON-CASH INFORMATION						
Net change in unrealised fair value of investments	**0**	**3,416**	**3,416**	**0**	**(7,412)**	**(7,412)**
Issuance of bonus shares	**0**	**100,000**	**100,000**	**0**	**0**	**0**