SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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

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

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, a description of how our audit addressed the matter is provided in that context:

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

Key Audit Matter (continued)

The key audit matter	How the matter was addressed in our audit
<u>**Valuation of ulitimate claim liabilities arising from insurance contracts**</u> The Company as at December 31, 2021 has gross technical reserves amounting to SR 593.123 million as reported in Note 7 of the financial statements, which includes outstanding claims, claims incurred but not reported (IBNR), additional premium and other technical reserves. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. The valuation of technical reserves is a key judgmental area for the management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. Due to the significance of the amounts involved and the exercise of significant judgment by the management in the process for determination of the technical reserves, we have determined it to be a key audit matter. *Refer to notes 2(d)(i) which discloses the estimated liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.*	We evaluated the design and tested the implementation of key controls over the Company's processes for the claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. We evaluated the appropriateness of the reserving methodologies used in estimating the insurance claim liability as part of our substantive procedures. We performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claims and technical reserves. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditors' 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. We also assessed the appropriateness of the financial statements disclosures relating to this matter against the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.

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

Other Information
The Management of the Company are responsible for the other information. The other information comprises the information included in the 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 will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Management and Those Charged with Governance for the Financial Statements
The Management are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's by-laws, and for such internal control as the Management 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 Management 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 the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

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License No 323/11/148
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant

Sha'ban 20, 1443
March 23, 2022

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
ASSETS			
Cash and cash equivalents	4	**52,028,429**	49,999,727
Murabaha deposits	5	**254,965,731**	341,916,296
Premiums and reinsurers' receivable - net	6	**261,411,771**	245,872,196
Reinsurers' share of unearned premiums	7b	**27,161,652**	39,420,956
Reinsurers' share of outstanding claims	7a	**377,883,139**	339,166,728
Reinsurers' share of claims incurred but not reported	7a	**65,106,710**	43,367,257
Deferred policy acquisition costs	7d	**23,086,197**	18,459,055
Available-for-sale investments	8a	**1,923,080**	1,923,080
Fair value through profit or loss investments	8b	**92,247,362**	90,028,540
Held-to-maturity investment	8c	**75,942,638**	35,531,657
Prepayments and other assets	9	**72,137,583**	58,309,900
Property and equipment	10	**7,063,954**	4,833,267
Intangible assets	10	**11,594,023**	9,803,358
Statutory deposit	11	**30,000,000**	30,000,000
Accrued income on statutory deposit		**2,891,455**	2,799,638
TOTAL ASSETS		**1,355,443,724**	1,311,431,655
LIABILITIES			
Policyholders' claims payable		**23,039,414**	21,607,449
Accrued expenses and other liabilities	12	**97,600,348**	64,916,997
Surplus distribution payable	13	**-**	5,577,137
Reinsurance balances payable		**53,286,182**	53,730,084
Unearned premiums	7b	**254,129,776**	265,548,157
Unearned reinsurance commission	7c	**5,256,973**	6,759,142
Outstanding claims and reserves	7a	**446,156,975**	385,850,240
Claims incurred but not reported	7a	**146,966,791**	117,468,630
Accounts payable		**1,025,583**	1,445,922
Employees' end-of-service benefits	14	**23,938,250**	18,705,950
Provision for zakat	15	**8,416,408**	10,517,581
Accrued commission income payable to SAMA		**2,891,455**	2,799,639
TOTAL LIABILITIES		**1,062,708,155**	954,926,928
EQUITY			
Share capital	16	**300,000,000**	300,000,000
Statutory reserve	18	**29,473,371**	29,473,371
(Accumulated losses)/retained earnings		**(35,652,959)**	26,981,720
Re-measurement (loss)/reserve of end-of-service benefits		**(1,084,843)**	49,636
TOTAL EQUITY		**292,735,569**	356,504,727
TOTAL LIABILITIES AND EQUITY		**1,355,443,724**	1,311,431,655
COMMITMENTS AND CONTINGENCIES	25		

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

HASSAN ABDULLA DORAR ALI
PRESIDENT AND CEO

The accompanying notes 1 to 27 form an integral part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
REVENUES			
Gross premiums written	7b	**777,537,673**	795,037,966
Reinsurance premiums ceded			
- Local		**(49,499,918)**	(54,518,400)
- International (includes ceded through local broker)		**(131,371,652)**	(170,236,024)
	7b	**(180,871,570)**	(224,754,424)
Excess of loss expenses			
- Local		**(546,646)**	(402,364)
- International		**(28,234,261)**	(36,896,403)
	7b	**(28,780,907)**	(37,298,767)
Net premiums written		**567,885,196**	532,984,775
Movement in unearned premiums, net		**(840,923)**	(4,587,025)
Net premiums earned		**567,044,273**	528,397,750
Reinsurance commissions	7c	**23,516,514**	31,057,481
Other underwriting income		**1,244,494**	6,868,488
NET REVENUES		**591,805,281**	566,323,719
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7a	**550,517,916**	446,868,497
Reinsurers' share of claims paid	7a	**(116,386,036)**	(78,890,405)
Net claims paid		**434,131,880**	367,978,092
Movement in outstanding claims, IBNR and other reserves, net		**29,349,032**	(24,087,623)
Net claims incurred	7a	**463,480,912**	343,890,469
Policy acquisition costs	7d	**61,085,624**	58,236,814
Inspection and supervision fees		**7,295,366**	6,907,784
TOTAL UNDERWRITING COSTS AND EXPENSES		**531,861,902**	409,035,067
NET UNDERWRITING INCOME		**59,943,379**	157,288,652
OTHER INCOME/(EXPENSES)			
Income from investments		**5,695,357**	3,489,935
Unrealized gain/(loss) from change in fair value of FVTPL investments	8b	**2,111,471**	(643,061)
Income from murabaha deposits		**5,787,496**	9,716,035
Other income		**2,588,003**	3,091,691
General and administrative expenses	19	**(122,319,117)**	(105,749,193)
Provision for doubtful debts	6	**(9,344,168)**	(4,033,355)
TOTAL OTHER INCOME/(EXPENSES)		**(115,480,958)**	(94,127,948)
Total (loss)/income for the year		**(55,537,579)**	63,160,704
Surplus attributed to the insurance operations	13	**-**	(5,577,137)
Total (loss)/income for the year attributable to the shareholders before zakat		**(55,537,579)**	57,583,567
Zakat charge for the year	15	**(7,097,100)**	(10,261,216)
Total (loss)/income for the year attributable to the shareholders after zakat		**(62,634,679)**	47,322,351
(Loss)/earnings per share	17		
Basic and diluted (loss)/income per share		**(2.09)**	1.58
Weighted average number of shares in issue throughout the year (in thousands)		**30,000**	30,000

Mohan Varghese

MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Total (loss)/income for the year after zakat		**(62,634,679)**	52,899,488
Other comprehensive loss:			
Items that will not be reclassified to statement of income in subsequent years			
- Actuarial loss on remeasurement of employees' end-of-service benefits	14	**(1,134,479)**	(1,438,651)
Items that may be reclassified to statements of income in subsequent years		-	-
Total comprehensive (loss)/income for the year after zakat		**(63,769,158)**	51,460,837
Total comprehensive loss/(income) attributable to the insurance operations		**1,134,479**	(4,138,486)
Total comprehensive (loss)/incomeattributable to the shareholders after zakat		**(62,634,679)**	47,322,351

Mohan Varghese

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CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021				
		Share capital	Statutory reserve	Retained earnings/ (accumulated losses)	Re-measurement (loss)/reserve of employees' end-of-service benefits	Total equity
Balance at the beginning of the year		300,000,000	29,473,371	26,981,720	49,636	356,504,727
Comprehensive loss for the year:						
Total loss for the year attributable to the shareholders after zakat		-	-	(62,634,679)	-	(62,634,679)
Actuarial loss on remeasurement of employees' end-of-service benefits	14	-	-	-	(1,134,479)	(1,134,479)
Total comprehensive loss for the year		-	-	(62,634,679)	(1,134,479)	(63,769,158)
Balance at the end of the year		300,000,000	29,473,371	(35,652,959)	(1,084,843)	292,735,569

Mohan Varghese

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CHIEF FINANCIAL OFFICER

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BOARD MEMBER

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STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

		2020				
	Note	Share capital	Statutory reserve	(Accumulated losses)/ retained earnings	Re-measurement reserve of employees' end-of-service benefits	Total equity
Balance at the beginning of the year		300,000,000	20,008,901	(10,876,161)	1,488,287	310,621,027
Comprehensive income/(loss) for the year:						
Total income for the year attributable to the shareholders after zakat		-	-	47,322,351	-	47,322,351
Actuarial loss on remeasurement of employees' end-of-service benefits	14	-	-	-	(1,438,651)	(1,438,651)
Total comprehensive income/(loss) for the year		-	-	47,322,351	(1,438,651)	45,883,700
Transfer to statutory reserve		-	9,464,470	(9,464,470)	-	-
Balance at the end of the year		300,000,000	29,473,371	26,981,720	49,636	356,504,727

MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

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

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss)/income for the year before zakat		**(55,537,579)**	63,160,704
Adjustments for non-cash items:			
Depreciation of property and equipment	10	**1,447,112**	2,098,099
Amortization of intangible assets	10	**1,687,966**	1,876,845
Amortisation of held-to-maturity investment	8c	**(410,981)**	(338,721)
Provision for doubtful debts	6	**9,344,168**	4,033,355
Provision for employees' end-of-service benefits	14	**5,015,990**	4,257,890
Unrealized (gain)/loss from change in fair value of FVTPL investments	8b	**(2,111,471)**	643,061
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(24,883,744)**	(32,028,508)
Reinsurers' share of unearned premiums		**12,259,304**	(5,327,802)
Reinsurers' share of outstanding claims and reserves		**(38,716,411)**	25,456,905
Reinsurers' share of claims incurred but not reported		**(21,739,453)**	(1,897,221)
Deferred policy acquisition costs		**(4,627,142)**	(1,582,004)
Prepayments and other assets		**(13,827,683)**	(5,679,912)
Policyholders claims payable		**1,431,965**	(1,724,202)
Accrued and other liabilities		**32,683,351**	21,773,266
Reinsurance balances payable		**(443,902)**	(39,537,937)
Unearned premiums		**(11,418,381)**	9,914,827
Unearned reinsurance commission		**(1,502,169)**	44,984
Outstanding claims and reserves		**60,306,735**	(42,352,053)
Claims incurred but not reported		**29,498,161**	(5,295,254)
Accounts payable		**(420,339)**	38,086
Cash used in operating activities		**(21,964,503)**	(2,465,592)
Surplus paid to policy holders	13	**(5,577,137)**	-
Employees' end-of-service benefits paid	14	**(918,169)**	(2,072,879)
Zakat paid	15	**(9,198,273)**	(8,791,559)
Net cash used in operating activities		**(37,658,082)**	(13,330,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property and equipment	10	**(3,677,799)**	(2,895,748)
Additions of intangible assets	10	**(3,478,631)**	(4,053,605)
Addition in held-to-maturity investment	8c	**(40,000,000)**	(35,000,000)
Proceed on maturity of held-to-maturity investment		-	10,000,000
Additions in fair value through profit or loss investments	8b	**(107,351)**	-
Additions in murabaha deposits		**(183,000,000)**	(676,448,739)
Proceed on disposal of murabaha deposits		**269,950,565**	727,537,604
Net cash from investing activities		**39,686,784**	19,139,512
Net change in cash and cash equivalents		**2,028,702**	5,809,482
Cash and cash equivalents at the beginning of the year	4	**49,999,727**	44,190,245
Cash and cash equivalents at the end of the year	4	**52,028,429**	49,999,727
Supplemental non-cash information:			
Actuarial loss on remeasurement of employees' end-of-service benefits	14	**(1,134,479)**	(1,438,651)
Bad debts written-off		**(11,758,328)**	-

Mohan Varghese

MOHAN VARGHESE
CHIEF FINANCIAL OFFICER

ABDULAZIZ A. ABUSSUUD
BOARD MEMBER

HASSAN ABDULLA DORAR ALI
PRESIDENT AND CEO

The accompanying notes 1 to 27 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H, (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company's principal lines of business include all classes of general and medical insurance. The Company was listed on the Saudi Stock Exchange ("Tadawul") on 20 Shaban 1428H, (corresponding to 3 September 2007).

Following are the details of the branches of the Company and their commercial registration numbers:

Branch Name	Branch	Commercial Registration Number	Date
Saudi Arabian Cooperative Insurance Company	Jeddah	4030208674	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Khobar	2051044793	25 Safar 1432H (31 January 2011)
Saudi Arabian Cooperative Insurance Company	Qassim	1131034133	25 Safar 1432H (31 January 2011)

The Company has been licensed to conduct insurance business in the Kingdom of Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Investment ("MOCI") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Central Bank ("SAMA") issued a formal approval to transact insurance business, thus authorizing the Company to commence operations as soon as product approval and related formalities are completed.

The Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policy holders are to receive the remaining 10%. Any deficit arising on insurance operations is borne by the shareholders in full.

2 BASIS OF PREPARATION

(a) Basis of presentation and measurement

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

2 BASIS OF PREPARATION (continued)

(a) Basis of presentation and measurement (continued)

These financial statements are prepared under the going concern concept and the historical cost convention, except for the investments carried at fair value through profit or loss investments, available-for-sale investments and employees' end-of-service benefit recognised at the present value of future obligations using the projected unit credit method. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Held to maturity investments, Property and equipment, Intangible assets, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current.

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

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

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

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Critical accounting judgments, estimates and assumptions

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

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

2 BASIS OF PREPARATION (continued)

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

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

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

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

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

ii) Impairment of investments

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

iii) Impairment of receivables

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

iv) Fair value of financial instruments

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

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

2 BASIS OF PREPARATION (continued)

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

v) Deferred policy acquisition costs

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

vi) Premium deficiency reserve

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

vii) 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 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 reserve

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 cash flows of the insurance contracts in force as at 31 December 2021 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 9.54 million as a premium deficiency reserve.

2 BASIS OF PREPARATION (continued)

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

vii) Impact of Covid-19 (continued)

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 two 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.

The Company has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated (or "segmented") level for motor line of business and recorded a Premium deficiency reserve amounting to SR 4.58 million as at 31 December 2021.

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. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at the granular economic sector, region and counterparty level and the Company has taken appropriate action where required. Based on the review, the Company has identified the certain sectors such as government contracting, airlines, retail sector and hospitality industry as being impacted significantly by the Covid-19 pandemic and lower oil prices.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented. There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 but they do not have a material effect on the Company's Financial Statements. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

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

Standard/ Interpretation/ Amendment	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments (refer below)	1-Jan-23
IFRS 17	Insurance Contracts (refer below)	1-Jan-23

A. IFRS 9 - Financial Instruments

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

a. Classification and measurement:

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

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

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

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

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

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

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

b. Impairment:

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. IFRS 9 - Financial Instruments (continued)

c. 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 1st January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th September. 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

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

   a. the effective date of a new insurance contract standard; or
   b. annual reporting periods beginning on or after January 1. 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or

2. adopt IFRS 9 but. for designated financial assets. remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented.

The Company has performed a detailed assessment as of reporting date:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. IFRS 9 - Financial Instruments (continued)

Impact assessment
As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SR 570 million (31 December 2020: SR 603 million) and SR 639 million (31 December 2019: SR 585 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 423 million (31 December 2020: SR 461 million). Other financial assets consist of available for sale investments amounting to SR 1.9 million (31 December 2020: SR 1.9 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. Other financial assets have a fair value of SR 92 million as at 31 December 2021 with a fair value change during the year of SR 2.1 million.

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

B. IFRS 17 - Insurance Contracts

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

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

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

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

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

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

a. the fulfilment cash flows (FCF), which comprise:
   - probability-weighted estimates of future cash flows,
   - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows, and
   - a risk adjustment for non-financial risk;

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

Measurement - continued

b. the Contractual Service Margin (CSM) - The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately.

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services. 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.

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

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

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

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. 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 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 2022. Further, on 17 March 2020, the (IASB) completed its discussions on the amendments to IFRS 17 and decided that the effective date of the Standard will be deferred to 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.

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

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

Presentation and Disclosures
The Company expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, [and investment contracts with discretionary participating features, if applicable] together with amendments to presentation and disclosures.

Impact
The Company has performed an initial impact assessment of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the final financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has undertaken an initial operational impact gap analysis and currently undergoing through detailed operational and financial impact assessment. Key gaps and their impact are as follows:

Impact Area	Summary of Impact
Financial Impact	The Company has ascertained the financial impact on reported balances of year 2018. As the Company's most of insurance contracts are short-termed and short tailed entitling for premium allocation approach (PAA) which is largely similar to current account practice, no significant impact is expected. The Company has also 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 also 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.
Data impact	IFRS 17 has additional data requirements (e.g. premium due date for initial recognition, premium receipt data for the LFRC, RI contracts held breakdown in to risk attaching or loss incurring for assessing contract boundaries, lower granularity to meet level of aggregation requirements and data for additional disclosures as per IFRS 17). Further extensive exercise has carried out to ensure the required data is available. No major data deficiencies or shortfalls were reported during the completion of the 1st dry-run simulation.
IT systems impact	Detailed assessment has been carried out of existing systems capabilities for IFRS 17 calculations, storage and reporting and whether new systems / calculation engines should be implemented. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 17 - Insurance Contracts (continued)

Impact (continued)

Process impact	The company has carried out an operational impact assessment exercise to assess the operational impact of implementing IFRS 17. Since, majority of the company's contracts would be measured under the premium allocation approach, the process impact is expected to be moderate. No major process impact was reported during the completion of the 1st dry-run simulation.
Impact on Reinsurance arrangements	Further assessment has carried out to confirm measurement approach for reinsurance arrangements where RI gross premium ceded does not automatically qualify for PAA.
Impact on policies and control frameworks	The Company's policies and procedures needs updating to accommodate the changes in the Company's processes and systems related to IFRS 17 implementation. Detailed exercise for the purpose has been carried out after ascertaining financial and operational gaps assessment.

The Company is currently in design phase of IFRS 17 implementation which requires developing and designing new processes and procedures for the business including any system developments required under IFRS 17 and detailed assessment of business requirements. Following are the main areas under design phase and status of the progress is as follows:

Major areas of design phase	Summary of progress
Governance and control framework	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
Operational area	The Company is in progress of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary. Also the Company is finalizing architectural designs for various sub-systems. The Company has progressed through assessment of business requirements and currently working on vendor selection while finalizing various process needed for transition and assessment of new resources needed.
Technical and financial area	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders. Currently majority of policy papers have been approved by the Company's IFRS 17 project steering committee.
Assurance plan	The Company is working along with other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

The Company has started its implementation process and has set up a project team, supervised by Company's CEO. Furthermore, to assess financial and operational impact of IFRS-17, the Company has hired Deloitte & Touche Advisory Saudi Limited (Deloitte) as their consultants.

The effective interpretations/improvement/amendments do not have material impact on these financial statements of the company.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Premiums and reinsurers' receivable - net
Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "General and administrative expenses" in the statement of income. Receivable balances are 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 the cash flows attributable to the balance are passed through to an independent third party. Receivable balances are disclosed in note 6 fall under the scope of IFRS-4 "Insurance Contract".

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

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

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

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

Investments and other financial assets
Initial recognition
Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets except in case of financial assets at fair value through profit or loss. Company's financial assets include cash and cash equivalents, murabaha deposits, receivables, held-to-maturity investments and available-for-sale investments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Classification and subsequent measurement

Financial assets are classified into the following specified categories: loans and receivables, available-for-sale and held to maturity financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b. **Available-for-sale investments ("AFS")** are non-derivative financial assets that are not classified as loans and receivables, held to maturity investment or financial assets at fair value through profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income. AFS equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

c. **Fair value through profit or loss ("FVTPL")** are non-derivative financial assets that are held for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

d. **Held-to-maturity investments** are investments which have fixed or determinable payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statements of income when the investment is derecognized or impaired.

Impairment and un-collectability of financial assets

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Impairment and un-collectibility of financial assets (continued)

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be 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 "Realized gain / (loss) on investments available for sale investments".

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

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the 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.

Financial Liabilities

Initial recognition

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

Classification and subsequent measurement

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

Derecognition of financial instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

	Years
Leasehold improvements	Shorter of 3 or the relevant lease term
Furniture and fittings	10
Computer and office equipment	3 - 5
Vehicles	3

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

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

Capital work-in-progress
Capital work-in-progress includes property that is being developed for future use. When commissioned, capital work-in-progress will be transferred to the respective category within property and equipment, and depreciated in accordance with the Company's policy.

Intangibles assets
Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is provided over the estimated useful lives of the applicable intangible assets using the straight line method. The estimated useful lives of the intangible asset are between 3 to 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory deposit
The statutory deposit, which is equal to 10% of the Company's paid up capital, consisted mainly of murabaha deposit maintained at a local bank in compliance with SAMA requirement.

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

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

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

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

Employees' end-of-service benefits
The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a state-owned defined contribution plan. The payments made are expensed as incurred.

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

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts

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

Revenue Recognition

Recognition of premium and commission revenue

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

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

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

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

Investment income

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

Dividend income

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

Claims

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

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

In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling IBNR as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental commission rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

4 CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash in banks	52,014,680	49,984,698
Cash on hand	13,749	15,029
	52,028,429	49,999,727

Cash in banks are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

5 MURABAHA DEPOSITS

Murabaha deposits represents deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The deposits earn commission at rate ranging from 0.8% to 3.4% (31 December 2020: 1.2% to 3.4%) per annum.

6 PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	2021	2020
Policyholders	155,485,361	184,863,153
Brokers and agents	70,716,931	63,219,101
Related parties (note 20)	79,816,404	58,876,953
Receivables from reinsurers	27,688,737	13,622,811
	333,707,433	320,582,018
Less:		
Provision for doubtful receivables - policyholders	(31,595,125)	(37,503,691)
Provision for doubtful receivables - brokers and agents	(18,633,885)	(14,945,722)
Provision for doubtful receivables - related parties (note 20)	(16,516,338)	(19,632,503)
Provision for doubtful receivables - receivables from reinsurers	(5,550,314)	(2,627,906)
	(72,295,662)	(74,709,822)
	261,411,771	245,872,196

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

		Past due but not impaired			Past due and impaired		
	Total	Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Policyholders	155,485,361	61,282,437	35,792,467	10,811,017	7,528,959	5,347,771	34,722,710
Brokers and agents	70,716,931	29,560,801	6,327,162	3,681,513	6,354,841	6,194,520	18,598,094
Related parties	79,816,404	14,448,816	10,831,265	16,806,710	8,264,050	12,032,582	17,432,981
Receivables from reinsurers	27,688,737	2,076,047	1,064,234	9,666,423	3,215,703	4,922,205	6,744,125
2021	333,707,433	107,368,101	54,015,128	40,965,663	25,363,553	28,497,078	77,497,910
Policyholders	184,863,153	38,770,391	50,017,896	26,722,337	11,895,767	17,409,218	40,047,544
Brokers and agents	63,219,101	30,843,089	2,338,036	3,313,300	5,604,435	3,864,287	17,255,954
Related parties	58,876,953	16,060,786	2,189,954	3,535,818	4,840,659	10,561,796	21,687,940
Receivables from reinsurers	13,622,811	1,501,768	1,009,182	3,162,559	2,201,188	2,590,854	3,157,260
2020	320,582,018	87,176,034	55,555,068	36,734,014	24,542,049	34,426,155	82,148,698

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

	2021	2020
Balance at January 1	74,709,822	70,676,467
Provision made during the year	9,344,168	4,033,355
Bad debts written-off	(11,758,328)	-
Balance at December 31	72,295,662	74,709,822

The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest customers accounts for 19% of the receivable as at 31 December 2021 (31 December 2020: 27%).

(All amounts in Saudi Riyals unless otherwise stated)

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS

a) Outstanding claims and reserves

	2021			2020		
	Gross	**RI share**	**Net**	Gross	RI share	Net
Outstanding claims at end of the year	**446,696,580**	**(377,883,139)**	**68,813,441**	387,537,289	(339,166,728)	48,370,561
Other reserves at end of the year	**10,861,709**	**-**	**10,861,709**	8,691,319	-	8,691,319
Outstanding claims and reserves at end of the year	**457,558,289**	**(377,883,139)**	**79,675,150**	396,228,608	(339,166,728)	57,061,880
Less: realizable value of salvage and subrogation at end of the year	**(11,401,314)**	**-**	**(11,401,314)**	(10,378,368)	-	(10,378,368)
Outstanding claims and reserves at end of the year	**446,156,975**	**(377,883,139)**	**68,273,836**	385,850,240	(339,166,728)	46,683,512
Claims incurred but not reported at end of the year	**146,966,791**	**(65,106,710)**	**81,860,081**	117,468,630	(43,367,257)	74,101,373
	593,123,766	**(442,989,849)**	**150,133,917**	503,318,870	(382,533,985)	120,784,885
Claims paid during the year	**550,517,916**	**(116,386,036)**	**434,131,880**	446,868,497	(78,890,405)	367,978,092
Outstanding claims and reserves at beginning of the year	**(385,850,240)**	**339,166,728**	**(46,683,512)**	(428,202,293)	364,623,633	(63,578,660)
Claims incurred but not reported at beginning of the year	**(117,468,630)**	**43,367,257**	**(74,101,373)**	(122,763,884)	41,470,036	(81,293,848)
	(503,318,870)	**382,533,985**	**(120,784,885)**	(550,966,177)	406,093,669	(144,872,508)
Claims incurred during the year	**640,322,812**	**(176,841,900)**	**463,480,912**	399,221,190	(55,330,721)	343,890,469

b) Unearned premiums

	2021			2020		
	Gross	**RI share**	**Net**	Gross	RI share	Net
Unearned premiums at beginning of the year	**265,548,157**	**(39,420,956)**	**226,127,201**	255,633,330	(34,093,154)	221,540,176
Premiums written during the year	**777,537,673**	**(180,871,570)**	**596,666,103**	795,037,966	(224,754,424)	570,283,542
Excess of loss expenses during the year	**-**	**(28,780,907)**	**(28,780,907)**	-	(37,298,767)	(37,298,767)
Premiums earned during the year	**(788,956,054)**	**221,911,781**	**(567,044,273)**	(785,123,139)	256,725,389	(528,397,750)
Unearned premiums at end of the year	**254,129,776**	**(27,161,652)**	**226,968,124**	265,548,157	(39,420,956)	226,127,201

c) Unearned reinsurance commission

	2021	2020
Balance at January 1	**6,759,142**	6,714,158
Commission received during the year	**22,014,345**	31,102,465
Commission earned during the year	**(23,516,514)**	(31,057,481)
Balance at December 31	**5,256,973**	6,759,142

(All amounts in Saudi Riyals unless otherwise stated)

7 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED REINSURANCE COMMISSION AND DEFERRED POLICY ACQUISITION COSTS (continued)

d) Deferred policy acquisition costs

	2021	2020
Balance at January 1	**18,459,055**	16,877,051
Incurred during the year	**65,712,766**	59,818,818
Amortized during the year	**(61,085,624)**	(58,236,814)
Balance at December 31	**23,086,197**	18,459,055

8 INVESTMENTS

(a) Available-for-sale investments

As at 31 December 2021 and 31 December 2020, Available-for-sale investment represents SR 1.9 million in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85% capital holding in Najm.

(b) Fair value through profit or loss investments

	2021	2020
Balance at January 1	**90,028,540**	90,671,601
Acquired during the year	**107,351**	-
Unrealized gain/(loss) from change in fair value	**2,111,471**	(643,061)
Balance at December 31	**92,247,362**	90,028,540

As at 31 December 2021, Fair value through profit or loss investments represents SR 92.25 million (31 December 2020 : SR 90 million) in respect of quoted equity instruments of Saudi listed companies.

(c) Held-to-maturity investment

As at 31 December 2021, the Company's investment in Islamic bonds ("Sukuk"), issued by a local bank having a credit rating of "AA", amounted to SR 75 million (31 December 2020: SR 35 million) comprising of 75 Sukuk (31 December 2020: 35 Sukuk) denominated at Saudi Riyals 1 million each and a margin equivalent to 6 month SIBOR plus 195 basis points (31 December 2020: 6 month SIBOR plus 195 basis points), having maturity date of 27 May 2025.

	2021	2020
Balance at January 1	**35,531,657**	10,192,936
Additions	**40,000,000**	25,000,000
Amortisation, net	**410,981**	338,721
Balance at December 31	**75,942,638**	35,531,657

9 PREPAYMENTS AND OTHER ASSETS

	2021	2020
Recoverable expenses from reinsurers	**41,822,779**	31,008,578
Guarantee deposits	**4,346,743**	3,403,098
Accrued income from manafeth fund	**4,269,430**	8,237,902
Medical insurance	**323,749**	611,323
Employees' receivables	**3,568,135**	3,205,585
Accrued interest income from murabaha deposits	**5,463,039**	4,795,556
Excess of loss premium	**1,856,457**	1,053,090
Advance for IT operational expenses	**2,529,557**	2,437,851
Rentals	**1,018,558**	588,200
Receivable from hospitals	**3,195,471**	-
Others	**3,743,665**	2,968,717
	72,137,583	58,309,900

(All amounts in Saudi Riyals unless otherwise stated)

10 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

2021

	Property and equipment						Intangible assets		
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipment*	*Vehicles*	*Capital work in progress*	*Total property and equipment*	*Capital work in progress*	*Intangible assets*	*Total Intangible assets*
Cost									
1 January	7,602,496	2,756,280	16,298,495	675,600	1,896,995	29,229,866	5,939,510	21,351,740	27,291,250
Additions	-	-	-	-	3,677,799	3,677,799	3,478,631	-	3,478,631
31 December	7,602,496	2,756,280	16,298,495	675,600	5,574,794	32,907,665	9,418,141	21,351,740	30,769,881
Accumulated depreciation/amortisation									
1 January	7,552,757	2,250,106	13,918,136	675,600	-	24,396,599	-	17,487,892	17,487,892
Charge for the year	24,290	94,344	1,328,478	-	-	1,447,112	-	1,687,966	1,687,966
31 December	7,577,047	2,344,450	15,246,614	675,600	-	25,843,711	-	19,175,858	19,175,858
Net book value									
31 December	25,449	411,830	1,051,881	-	5,574,794	7,063,954	9,418,141	2,175,882	11,594,023

2020

	Property and equipment						Intangible assets		
	Leasehold improvements	*Furniture and fittings*	*Computer and office equipment*	*Vehicles*	*Capital work in progress*	*Total property and equipment*	*Capital work in progress*	*Intangible assets*	*Total Intangible assets*
Cost									
1 January	7,602,496	2,673,640	14,862,911	675,600	519,471	26,334,118	3,886,094	19,351,551	23,237,645
Additions	-	82,640	1,435,584	-	1,377,524	2,895,748	2,053,416	2,000,189	4,053,605
31 December	7,602,496	2,756,280	16,298,495	675,600	1,896,995	29,229,866	5,939,510	21,351,740	27,291,250
Accumulated depreciation/amortisation									
1 January	7,493,411	2,129,288	12,000,201	675,600	-	22,298,500	-	15,611,047	15,611,047
Charge for the year	59,346	120,818	1,917,935	-	-	2,098,099	-	1,876,845	1,876,845
31 December	7,552,757	2,250,106	13,918,136	675,600	-	24,396,599	-	17,487,892	17,487,892
Net book value									
31 December	49,739	506,174	2,380,359	-	1,896,995	4,833,267	5,939,510	3,863,848	9,803,358

The depreciation/amortisation charge for the year is included in general and administrative expenses in the statement of income (Note 19).

(All amounts in Saudi Riyals unless otherwise stated)

11 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies implemented in the Kingdom of Saudi Arabia. The statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit is placed with a counterparty having investment grade credit rating. Return on statutory deposit is shown as an asset and liability in the statement of financial position.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2021	2020
Payable to hospitals		-	936,954
Commission payable		**26,738,459**	24,482,391
Amounts due to related parties	20	**42,846,342**	10,295,082
Value Added Tax payable		**13,549,435**	11,839,610
Inspection and supervision fees		**1,025,329**	3,530,735
Accrued salaries and employees' benefits		**41,531**	45,832
Surveyors payable		**3,324,285**	1,186,402
Payable to workshops		**69,017**	652,140
Accrued professional fees		**198,380**	13,327
Others		**9,807,570**	11,934,524
		97,600,348	64,916,997

13 SURPLUS DISTRIBUTION PAYABLE

The movement in Surplus distribution payable during the year is as follows:

	2021	2020
Opening surplus distribution payable as at 1 January	5,577,137	-
Total income attributed to the insurance operations during the year	-	5,577,137
Surplus paid to policy holders	(5,577,137)	-
Closing surplus distribution payable as at 31 December	-	5,577,137

14 EMPLOYEES' END-OF-SERVICE BENEFITS

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

	2021	2020
Present value of defined benefit obligation	**23,938,250**	18,705,950

Movement of defined benefit obligation	2021	2020
Balance at January 1	**18,705,950**	15,082,288
Current service cost	**4,434,715**	3,704,750
Interest cost	**581,275**	553,140
Actuarial loss on remeasurement	**1,134,479**	1,438,651
Payment of benefits during the year	**(918,169)**	(2,072,879)
Balance at December 31	**23,938,250**	18,705,950

Principal actuarial assumptions	2021	2020
Valuation discount rate	**2.5%**	3.2%
Expected rate of increase in salary level across different age bands	**0%**	5%

(All amounts in Saudi Riyals unless otherwise stated)

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

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

	2021	2020
Valuation discount rate		
- Increase by 1%	(1,544,486)	(1.142.941)
- Decrease by 1%	1,780,248	1.316.605
Expected rate of increase in salary level across different age bands		
- Increase by 1%	1,726,120	1,279,313
- Decrease by 1%	(1,531,427)	(1.134.736)
Mortality rate		
- Increase by 20%	(5,937)	(3.225)
- Decrease by 20%	5,951	3.231
Employee turnover		
- Increase by 20%	(723,039)	(481.876)
- Decrease by 20%	804,383	521,122

15 PROVISION FOR ZAKAT

a) Charge for the year

The zakat payable by the Company has been calculated in accordance with the zakat regulations in Saudi Arabia.

The zakat provision for the year is based on the following:

	2021	2020
Shareholders' equity and opening provisions	449,870,863	394.483.736
Book value of long term assets and statutory deposit	(127,740,796)	(40.545.434)
	322,130,067	353.938.302
Adjusted income for the year	(38,246,084)	56,510,338
Zakat base	283,883,983	410,448,640
Zakat due at 2.5%	7,097,100	10.261.216

The difference between the financial and zakatable results is mainly due to provisions which are not allowed in the calculation of zakatable income. The Company is not subject to income tax being fully owned by Saudi and GCC shareholders.

b) Zakat payable

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

	2021	2020
Balance at beginning of the year	10,517,581	9.047.924
Charge for the year	7,097,100	10.261.216
Payments during the year	(9,198,273)	(8.791.559)
Balance at end of the year	8,416,408	10.517.581

c) Status of assessments

The Company has filed its zakat return for the financial years up to and including the year 2020 with the ZATCA and received the final zakat certificate from the ZATCA.

The Company has received final assessments for the years 2008 through 2019 with no additional zakat liability.

16 SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SR 300 million at 31 December 2021 (31 December 2020: SR 300 million) consisting of 30 million shares (31 December 2020: 30 million shares) of SR 10 each. Shareholding structure of the Company is as below:

	2021		2020	
	Authorised, issued and paid up		Authorised, issued and paid up	
	No. of Shares	**SR'000**	No. of Shares	SR'000
Saudi Arabian Insurance Company B.S.C	**9,000,000**	**90,000,000**	9,000,000	90,000,000
Others	**21,000,000**	**210,000,000**	21,000,000	210,000,000
	30,000,000	**300,000,000**	30,000,000	300,000,000

17 BASIC AND DILUTED (LOSS)/EARNING PER SHARE

Basic and diluted (loss)/earning per share for the year have been calculated by dividing the total (loss)/income attributable to the shareholders after zakat by the weighted average number of shares in issue throughout the period.

	2021	2020
Total (loss)/earning for the year attributable to the shareholders after zakat	**(62,634,679)**	47,322,351
Weighted average number of shares throughout the period (thousands)	**30,000**	30,000
Basic and diluted (loss)/earning per share	**(2.09)**	1.58

There are no diluted potential shares during the year ended 31 December 2021 and 2020.

18 STATUTORY RESERVE

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

19 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2021**	2020
Salaries and benefits		**98,076,372**	82,473,472
IT operational expenses		**5,597,940**	5,166,442
Depreciation	10	**1,447,112**	2,098,099
Amortisation	10	**1,687,966**	1,876,845
Rent		**2,660,126**	2,507,271
Communications		**1,508,699**	1,875,466
Audit fees		**607,187**	585,167
Legal and professional fees		**2,572,591**	2,351,520
Printing and stationery		**194,154**	280,654
Repairs and maintenance		**393,060**	323,303
Travel		**379,351**	234,832
Collectors' fees		**327,700**	75,625
Withholding tax		**184,633**	879,805
Subscription fees		**359,221**	343,370
Others		**6,323,005**	4,677,322
		122,319,117	105,749,193

(All amounts in Saudi Riyals unless otherwise stated)

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company and entities controlled, jointly controlled or subsequently influenced by such parties or the Company. All transactions with such related parties are conducted on normal terms and conditions and are approved by management.

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

Related party	*Nature of transactions*	Amount of transaction		Balance	
		2021	2020	**2021**	2020
Amounts due to related parties are as follows (note 12):					
ACE Insurance & Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums ceded through Broker	**45,866,391**	83,782,000		
	Commission received	**105,764**	13,694,469	**42,108,084**	10,111,497
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Premiums ceded	**148,683**	890,902		
	Commission received	**17,346**	99,704	**682,756**	128,083
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	-	2,316,935		
	Commission expense	-	294,587	-	-
ACE Limited (Affiliate)				**55,502**	55,502
				42,846,342	**10,295,082**
Amounts due from related party are as follows (note 6):					
ACE Insurance & Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	**124,397,455**	130,118,943		
	Commission expense	**11,747,823**	12,249,950	**79,816,404**	58,876,953
	Reversal of doubtful debts	**3,116,165**	421,018	**(16,516,338)**	(19,632,503)
				63,300,066	39,244,450
				63,300,066	39,244,450

Compensation of key management personnel

Key management personnel of the Company include all directors (executives and non-executives) and senior management. The summary of compensation of key management personnel for the year ended 31 December is as follows:

	BOD and committee members (Non-Executive)		Top Executives including the CEO and CFO	
	2021	2020	**2021**	2020
Short-term benefits	**1,106,000**	1,028,000	**10,252,040**	8,690,478
Bonus	-	-	**3,758,860**	1,746,000
Employees' end-of-service benefits	-	-	**829,168**	711,095
	1,106,000	1,028,000	**14,840,068**	11,147,573

(All amounts in Saudi Riyals unless otherwise stated)

21 CLAIMS DEVELOPMENT TABLE

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

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

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

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

Accident year	**2015 & earlier**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At end of accident year	7,652,856,803	447,097,603	439,173,129	658,710,089	578,602,042	454,006,120	649,485,518	10,879,931,304
One year later	2,306,688,887	420,582,890	421,672,753	636,685,309	556,870,614	448,628,474		4,791,128,927
Two years later	2,283,859,310	399,910,956	453,304,829	635,368,472	558,884,779			4,331,328,346
Three years later	2,305,873,743	390,690,912	446,621,741	634,378,122				3,777,564,518
Four years later	2,423,656,404	388,658,482	444,957,137					3,257,272,023
Five years later	2,072,425,601	393,763,310						2,466,188,911
Six years later	2,062,364,796							2,062,364,796
Current estimate of cumulative claims	2,062,364,796	393,763,310	444,957,137	634,378,122	558,884,779	448,628,474	649,485,518	5,192,462,136
Cumulative payments to date	(1,930,592,812)	(380,862,870)	(432,716,926)	(584,751,034)	(534,915,450)	(392,430,310)	(343,068,968)	(4,599,338,370)
Gross outstanding claims and reserves recognized in the statement of financial position	131,771,984	12,900,440	12,240,211	49,627,088	23,969,329	56,198,164	306,416,550	593,123,766

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

Accident year	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
At end of accident year	5,559,148,605	311,795,029	447,097,603	439,173,129	658,710,089	578,602,042	454,006,120	8,448,532,617
One year later	1,781,913,169	458,933,766	420,582,890	421,672,753	636,685,309	556,870,614		4,276,658,501
Two years later	1,847,755,121	459,957,247	399,910,956	453,304,829	635,368,472			3,796,296,625
Three years later	1,823,902,063	452,947,977	390,690,912	446,621,741				3,114,162,693
Four years later	1,852,925,766	627,757,486	388,658,482					2,869,341,734
Five years later	1,795,898,918	624,013,469						2,419,912,387
Six years later	1,448,412,132							1,448,412,132
Current estimate of cumulative claims	1,448,412,132	624,013,469	388,658,482	446,621,741	635,368,472	556,870,614	454,006,120	4,553,951,030
Cumulative payments to date	(1,380,132,054)	(546,904,726)	(364,666,607)	(422,988,756)	(554,458,346)	(524,598,995)	(256,882,676)	(4,050,632,160)
Gross outstanding claims and reserves recognized in the statement of financial position	68,280,078	77,108,743	23,991,875	23,632,985	80,910,126	32,271,619	197,123,444	503,318,870

(All amounts in Saudi Riyals unless otherwise stated)

21 CLAIMS DEVELOPMENT TABLE (continued)

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

Accident year	2015 & earlier	2016	2017	2018	2019	2020	2021	Total
At end of accident year	4,660,961,162	345,348,350	366,938,363	477,262,346	504,142,371	352,879,225	464,448,610	7,171,980,427
One year later	1,767,006,396	324,545,373	376,779,178	467,228,061	504,574,163	345,499,693		3,785,632,864
Two years later	1,765,167,475	320,793,493	373,144,094	465,390,923	509,355,112			3,433,851,097
Three years later	1,765,664,505	321,547,294	370,448,217	466,294,831				2,923,954,847
Four years later	1,652,228,248	324,551,610	370,193,341					2,346,973,199
Five years later	1,411,956,756	324,924,004						1,736,880,760
Six years later	1,410,859,261							1,410,859,261
Current estimate of cumulative claims	1,410,859,261	324,924,004	370,193,341	466,294,831	509,355,112	345,499,693	464,448,610	3,891,574,852
Cumulative payments to date	(1,408,901,243)	(323,890,582)	(369,398,289)	(465,041,879)	(506,257,107)	(335,912,960)	(332,038,877)	(3,741,440,935)
Net outstanding claims and reserves recognized in the statement of financial position	1,958,018	1,033,422	795,052	1,252,952	3,098,005	9,586,733	132,409,733	150,133,917

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

Accident year	2014 & earlier	2015	2016	2017	2018	2019	2020	Total
At end of accident year	2,901,363,427	453,129,658	345,348,350	366,938,363	477,262,346	504,142,371	352,879,225	5,401,063,740
One year later	1,306,468,077	457,148,755	324,545,373	376,779,178	467,228,061	504,574,163		3,436,743,607
Two years later	1,309,857,641	459,390,666	320,793,493	373,144,094	465,390,923			2,928,576,817
Three years later	1,305,776,809	460,095,444	321,547,294	370,448,217				2,457,867,764
Four years later	1,305,569,061	464,345,181	324,551,610					2,094,465,852
Five years later	1,187,883,067	461,527,170						1,649,410,237
Six years later	950,429,586							950,429,586
Current estimate of cumulative claims	950,429,586	461,527,170	324,551,610	370,448,217	465,390,923	504,574,163	352,879,225	3,429,800,894
Cumulative payments to date	(947,803,838)	(459,984,706)	(322,956,431)	(369,091,296)	(463,154,362)	(497,557,831)	(248,467,545)	(3,309,016,009)
Net outstanding claims and reserves recognized in the statement of financial position	2,625,748	1,542,464	1,595,179	1,356,921	2,236,561	7,016,332	104,411,680	120,784,885

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION

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

Segment assets do not include cash and cash equivalents, murabaha deposits, premiums and reinsurers' receivable - net, available for sale investment, held-to-maturity investment, due from related parties, prepayments and other assets, property and equipment, intangible assets, statutory deposit and accrued income from statutory deposit. Accordingly, they are included in unallocated assets.

Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurance balances payable, accounts payable, employees' end-of-service benefits, provision for zakat, accrued commission income payable to SAMA. Accordingly, they are included in unallocated liabilities. All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

	2021					
Operating segment	**Medical**	**Motor**	**Property & casualty**	**Protection & savings**	**Shareholders' operations**	**Total**
Revenues						
Gross premiums written						
- Individual	824,240	58,848,635	1,395,448	-	-	61,068,323
- Micro enterprise	9,499,310	7,066,058	8,244,833	-	-	24,810,201
- Small enterprises	71,883,591	11,267,456	7,226,409	-	-	90,377,456
- Medium enterprises	158,159,103	37,929,611	29,671,740	-	-	225,760,454
- Large enterprise	125,454,907	70,804,232	179,262,100	-	-	375,521,239
	365,821,151	185,915,992	225,800,530	-	-	777,537,673
Reinsurance premiums ceded						
- Local	-	-	(49,499,918)	-	-	(49,499,918)
- International (includes premium ceded through local broker)	-	(300,751)	(131,070,901)	-	-	(131,371,652)
	-	(300,751)	(180,570,819)	-	-	(180,871,570)
Excess of loss expenses						
- Local	-	(459,756)	(86,890)	-	-	(546,646)
- International	(23,922,085)	(1,839,022)	(2,473,154)	-	-	(28,234,261)
	(23,922,085)	(2,298,778)	(2,560,044)	-	-	(28,780,907)
Net premiums written	341,899,066	183,316,463	42,669,667	-	-	567,885,196

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION (continued)

	2021					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Net premiums written	341,899,066	183,316,463	42,669,667	-	-	567,885,196
Movement in unearned premiums, net	(4,830,096)	3,179,104	810,069	-	-	(840,923)
Net premiums earned	337,068,970	186,495,567	43,479,736	-	-	567,044,273
Reinsurance commissions	-	1,102,675	22,413,839	-	-	23,516,514
Other underwriting income	305,153	505,648	433,693	-	-	1,244,494
Net revenues	337,374,123	188,103,890	66,327,268	-	-	591,805,281
Underwriting costs and expenses						
Gross claims paid	286,709,855	146,157,951	117,650,110	-	-	550,517,916
Reinsurers' share of claims paid	-	(4,745,677)	(111,640,359)	-	-	(116,386,036)
Net claims paid	286,709,855	141,412,274	6,009,751	-	-	434,131,880
Movement in outstanding claims, IBNR and other reserves, net	26,480,340	1,219,339	1,649,353	-	-	29,349,032
Net claims incurred	313,190,195	142,631,613	7,659,104	-	-	463,480,912
Policy acquisition costs	18,450,843	22,411,326	20,223,455	-	-	61,085,624
Inspection and supervision fees	5,487,317	927,281	880,768	-	-	7,295,366
Total underwriting costs and expenses	337,128,355	165,970,220	28,763,327	-	-	531,861,902
Net underwriting income	245,768	22,133,670	37,563,941	-	-	59,943,379
Unallocated income					8,885,083	16,182,327
Unallocated expenses					(1,467,504)	(131,663,285)
Total loss for the year						(55,537,579)
Surplus attributed to the insurance operations						-
Total loss for the year attributable to the shareholders before zakat						(55,537,579)
Zakat						(7,097,100)
Total loss for the year attributable to the shareholders after zakat						(62,634,679)

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION (Continued)

	2020					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Revenues						
Gross premiums written						
- Individual	512,992	134,548,176	796,805	-	-	135,857,973
- Micro enterprise	7,510,373	6,443,914	10,926,262	-	-	24,880,549
- Small enterprises	62,204,335	12,423,199	7,156,555	-	-	81,784,089
- Medium enterprises	104,724,402	34,816,293	34,396,081	-	-	173,936,776
- Large enterprise	142,482,528	31,472,175	204,623,876	-	-	378,578,579
	317,434,630	219,703,757	257,899,579	-	-	795,037,966
Reinsurance premiums ceded						
- Local	-	-	(54,518,400)	-	-	(54,518,400)
- International (includes premium ceded through local broker)	-	(10,050,582)	(160,185,442)	-	-	(170,236,024)
	-	(10,050,582)	(214,703,842)	-	-	(224,754,424)
Excess of loss expenses						
- Local	-	(375,636)	(26,728)	-	-	(402,364)
- International	(35,712,945)	(1,502,544)	319,086	-	-	(36,896,403)
	(35,712,945)	(1,878,180)	292,358	-	-	(37,298,767)
Net premiums written	281,721,685	207,774,995	43,488,095	-	-	532,984,775
Movement in unearned premiums, net	(10,977,685)	8,335,475	(1,944,815)	-	-	(4,587,025)
Net premiums earned	270,744,000	216,110,470	41,543,280	-	-	528,397,750
Reinsurance commissions	-	1,083,060	29,974,421	-	-	31,057,481
Other underwriting income	2,009,885	2,395,829	2,462,774	-	-	6,868,488
Net revenues	272,753,885	219,589,359	73,980,475	-	-	566,323,719

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION (Continued)

	2020					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Underwriting costs and expenses						
Gross claims paid	215,411,648	159,838,208	71,618,641	-	-	446,868,497
Reinsurers' share of claims paid	232,890	(11,461,320)	(67,661,975)	-	-	(78,890,405)
Net claims paid	215,644,538	148,376,888	3,956,666	-	-	367,978,092
Movement in outstanding claims, IBNR and other reserves, net	(8,725,864)	(12,725,336)	(2,636,423)	-	-	(24,087,623)
Net claims incurred	206,918,674	135,651,552	1,320,243	-	-	343,890,469
Policy acquisition costs	17,138,607	18,581,910	22,516,297	-	-	58,236,814
Inspection and supervision fees	4,761,522	1,095,310	1,050,952	-	-	6,907,784
Total underwriting costs and expenses	228,818,803	155,328,772	24,887,492	-	-	409,035,067
Net underwriting income	43,935,082	64,260,587	49,092,983	-	-	157,288,652
Unallocated income					8,760,720	15,654,600
Unallocated expenses					(1,371,382)	(109,782,548)
Total income for the year						63,160,704
Surplus attributed to the insurance operations						(5,577,137)
Total income for the year attributable to the shareholders before zakat						57,583,567
Zakat						(10,261,216)
Total income for the year attributable to the shareholders after zakat						47,322,351

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION (Continued)

	2021					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Assets						
Reinsurers' share of outstanding claims	-	5,728,845	372,154,294	-	-	377,883,139
Reinsurers' share of claims incurred but not reported	-	5,842,288	59,264,422	-	-	65,106,710
Reinsurers' share of unearned premiums	-	25,710	27,135,942	-	-	27,161,652
Deferred policy acquisition costs	6,862,191	12,452,377	3,771,629	-	-	23,086,197
Segment assets	6,862,191	24,049,220	462,326,287	-	-	493,237,698
Unallocated assets					351,842,629	862,206,026
Total assets						1,355,443,724
Liabilities and equity						
Outstanding claims and reserves	32,566,993	25,832,226	387,757,756	-	-	446,156,975
Claims incurred but not reported	43,072,000	38,289,706	65,605,085	-	-	146,966,791
Unearned premiums	130,415,342	88,044,455	35,669,979	-	-	254,129,776
Unearned reinsurance commission	-	9,893	5,247,080	-	-	5,256,973
Segment liabilities	206,054,335	152,176,280	494,279,900	-	-	852,510,515
Unallocated liabilities and surplus					12,333,446	210,197,640
Total equity					293,820,412	292,735,569
Total liabilities and equity						1,355,443,724

Unallocated assets at 31 December 2021 consists mainly of murabaha deposits of SR 255 million, premiums and reinsurers' receivable - net of SR 261 million, cash and cash equivalents of SR 52 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 92 million, Held-to-maturity investment of SR 76 million and other assets of SR 124 million.

Unallocated liabilities and surplus at 31 December 2021 consists mainly of accrued and other liabilities of SR 97.6 million, reinsurance balances payable of SR 53.29 million, employees' end-of-service benefits of SR 23.94 million and other liabilities of SR 35.28 million.

(All amounts in Saudi Riyals unless otherwise stated)

22 SEGMENT INFORMATION (Continued)

	2020					
Operating segment	Medical	Motor	Property & casualty	Protection & savings	Shareholders' operations	Total
Assets						
Reinsurers' share of outstanding claims	-	6,872,863	332,293,865	-	-	339,166,728
Reinsurers' share of claims incurred but not reported	-	3,165,691	40,201,566	-	-	43,367,257
Reinsurers' share of unearned premiums	-	6,543,540	32,877,416	-	-	39,420,956
Deferred policy acquisition costs	8,051,824	6,452,608	3,954,623	-	-	18,459,055
Segment assets	8,051,824	23,034,702	409,327,470	-	-	440,413,996
Unallocated assets					350,489,737	871,017,659
Total assets						1,311,431,655
Liabilities						
Outstanding claims and reserves	16,530,900	20,723,648	348,595,692	-	-	385,850,240
Claims incurred but not reported	32,627,753	40,646,366	44,194,511	-	-	117,468,630
Unearned premiums	125,585,246	97,741,386	42,221,525	-	-	265,548,157
Unearned reinsurance commission	-	1,019,378	5,739,764	-	-	6,759,142
Segment liabilities	174,743,899	160,130,778	440,751,492	-	-	775,626,169
Unallocated liabilities and surplus					14,763,142	179,300,759
Total equity					356,455,091	356,504,727
Total liabilities						1,311,431,655

Unallocated assets at 31 December 2020 consists mainly of murabaha deposits of SR 342 million, premiums and reinsurers' receivable - net of SR 246 million, cash and cash equivalents of SR 50 million, Available-for-sale investment of SR 1.9 million, FVTPL investment of SR 90 million, Held-to-maturity investment of SR 35 million and other assets of SR 106 million.

Unallocated liabilities and surplus at 31 December 2020 consists mainly of accrued and other liabilities of SR 64.92 million, reinsurance balances payable of SR 53.73 million, employees' end-of-service benefits of SR 18.71 million and other liabilities of SR 41.95 million.

23 RISK MANAGEMENT

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

Risk Governance

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

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

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

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

a) Insurance risk

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

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

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

Frequency and severity of claims

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

23 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

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

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

Process used to decide on assumptions

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

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

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.

23 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Process used to decide on assumptions (continued)

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

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

Sensitivity analysis

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

A hypothetical 5% change in the claim ratio, net of reinsurance, would impact net underwriting income/(loss) as follows:

	Change in assumptions	Increase/ (decrease) in net liabilities	Increase/ (decrease) in underwriting surplus
Ultimate loss ratio			
2021	+/- 5%	**28,352,214**	**28,352,214**
2020	+/- 5%	26,419,888	26,419,888

b) Reinsurance risk

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

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

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

23 RISK MANAGEMENT (continued)

b) Reinsurance risk (continued)

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

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

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

c) Commission rate risk

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

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

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

	2021	2020
Increase/(decrease) in commission rates by 100 basis points	**2,549,657**	3,419,163

d) Credit risk

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

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

a. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

b. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

c. Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

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

(All amounts in Saudi Riyals unless otherwise stated)

23 RISK MANAGEMENT (continued)

d) Credit risk (continued)

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

	2021	2020
Cash in banks	52,014,680	49,984,698
Murabaha deposits	254,965,731	341,916,296
Premiums and reinsurers' receivable - net	261,411,771	245,872,196
Reinsurers' share of outstanding claims and reserves	377,883,139	339,166,728
Reinsurers' share of claims incurred but not reported	65,106,710	43,367,257
Available-for-sale investments	1,923,080	1,923,080
Held-to-maturity investments	75,942,638	35,531,657
Statutory deposit	30,000,000	30,000,000
Other assets	62,537,111	53,213,489
	1,181,784,860	1,140,975,401

Credit quality
The credit quality of the financial assets is as follows:

Credit quality	* Credit Rating	2021	2020
Cash and cash equivalents			
Very strong	Aaa - A2	52,014,680	45,894,903
Satisfactory	A3 - Baa3	-	4,089,795
Unrated	Unrated	13,749	15,029
		52,028,429	49,999,727
Murabaha deposits			
Very strong	Aaa - A2	254,965,731	246,474,362
Satisfactory	A3 - Baa3	-	95,441,934
Unrated	Unrated	-	-
		254,965,731	341,916,296
Investments			
Very strong	Aaa - A2	168,028,972	125,560,197
Satisfactory	A3 - Baa3	161,028	-
Unrated	Unrated	1,923,080	1,923,080
		170,113,080	127,483,277

** Credit rating source: Moody's*

All other financial assets are unrated.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

23 RISK MANAGEMENT (continued)

e) 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 management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

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

	2021			2020		
FINANCIAL ASSETS	**Less than one year**	**More than one year**	**Total**	Less than one year	Less than one year	Total
Cash and cash equivalents	**52,028,429**	-	**52,028,429**	49,999,727	-	49,999,727
Murabaha deposits	**254,965,731**	-	**254,965,731**	341,916,296	-	341,916,296
Premiums and reinsurers' receivable - net	**261,411,771**	-	**261,411,771**	245,872,196	-	245,872,196
Reinsurers' share of outstanding claims	**377,883,139**	-	**377,883,139**	339,166,728	-	339,166,728
Available-for-sale investments	-	**1,923,080**	**1,923,080**	-	1,923,080	1,923,080
Fair value through profit or loss investments	-	**92,247,362**	**92,247,362**	-	90,028,540	90,028,540
Held-to-maturity investment	-	**75,942,638**	**75,942,638**	-	35,531,657	35,531,657
Statutory deposit	-	**30,000,000**	**30,000,000**	-	30,000,000	30,000,000
Other assets	**62,537,111**	-	**62,537,111**	53,213,489	-	53,213,489
	1,008,826,181	**200,113,080**	**1,208,939,261**	1,030,168,436	157,483,277	1,187,651,713
FINANCIAL LIABILITIES						
Policyholders claims payable	**23,039,414**	-	**23,039,414**	21,607,449	-	21,607,449
Accrued and other liabilities	**97,600,348**	-	**97,600,348**	64,916,997	-	64,916,997
Reinsurance balances payable	**53,286,182**	-	**53,286,182**	53,730,084	-	53,730,084
Outstanding claims and reserves	**446,156,975**	-	**446,156,975**	385,850,240	-	385,850,240
Accounts payable	**1,025,583**	-	**1,025,583**	1,445,922	-	1,445,922
Employees' end-of-service benefits	-	**23,938,250**	**23,938,250**	-	18,705,950	18,705,950
Provision for zakat	**8,416,408**	-	**8,416,408**	10,517,581	-	10,517,581
Accrued commission income payable to SAMA	**2,891,455**	-	**2,891,455**	2,799,639	-	2,799,639
	632,416,365	**23,938,250**	**656,354,615**	540,867,912	18,705,950	559,573,862

Liquidity profiles

None of the liabilities on the statement of financial position are based on discounted cash flows and are payable on a current basis within 1 year except end-of-service benefits.

23 RISK MANAGEMENT (continued)

f) Currency risk

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

g) Market price risk

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

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

h) Capital management

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

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

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

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

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

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SR 300 million, statutory reserves of SR 29.5 million and accumulated losses of SR 35.7 million (31 December 2020: paid-up share capital of SR 300 million, statutory reserves of SR 29.5 million and retained earnings of SR 27 million) in the statement of financial position.

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

23 RISK MANAGEMENT (continued)

i) Regulatory framework risk

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

j) Operational Risk

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

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

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

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

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- in the accessible principal market for the asset or liability, or
- in the accessible principal market, in the most advantagous accessible marketfor the asset or liability

The management assessed that cash and cash equivalent, accrual and other liabilities and other financial assets and liabilities approximate their carrying amounts largely duye to the short term maturities of these instruments.

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

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

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

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

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

(All amounts in Saudi Riyals unless otherwise stated)

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a) Carrying amounts and fair value

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

As at 31 December 2021	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
FVTPL investments	92,247,362	92,247,362	-	-	92,247,362
	92,247,362	92,247,362	-	-	92,247,362

As at 31 December 2020	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets:					
FVTPL investments	90,028,540	90,028,540	-	-	90,028,540
	90,028,540	90,028,540	-	-	90,028,540

The fair values of other financial assets and liabilities, not included in the table above, are not materially different from the carrying values included in the financial statements.

b) Measurement of Fair values

Available-for-sale investment represents unquoted securities amounted to SR 1.9 million in respect of the Company's share in the capital of Najm. As at 31 December 2021 and 31 December 2020, the investment has not been measured at fair value in the absence of active market or other means of measuring their fair value reliably. However, the management believes that there is no major difference between the carrying value and fair value of the investment.

25 COMMITMENTS AND CONTINGENCIES

CONTINGENCIES

a. Legal proceedings and regulations

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

b. As at 31 December 2021, performance guarantees amounting to SR 4.35 million (31 December 2020: SR 3.4 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

COMMITMENTS

c. During 2020, the Company entered into an agreement for the construction of the commercial building on the land under deed No. 2/214 located at the Salahuddin AL-Ayyubi Road, Riyadh, Kingdom of Saudi Arabia.

The Company is committed to half of the incurred capital expenditure for the acquisition of land and construction of the building, and the transaction will be recognized as the development progresses and upon completion of the transfer of the underlying right and obligations.

The estimated commitment as at balance sheet date but not recognized in the financial statement are as follows:

	2021	2020
Acquisition of the Land	12,663,500	12,663,500
Construction of the Building	46,283,250	38,000,000
	58,946,750	50,663,500

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION

26.1 Statement of financial position

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Cash and cash equivalents	**41,770,297**	47,691,162	**10,258,132**	2,308,565	**52,028,429**	49,999,727
Murabaha deposits	**96,523,796**	134,474,361	**158,441,935**	207,441,935	**254,965,731**	341,916,296
Premiums and reinsurers' receivable - net	**261,411,771**	245,872,196	-	-	**261,411,771**	245,872,196
Reinsurers' share of unearned premiums	**27,161,652**	39,420,956	-	-	**27,161,652**	39,420,956
Reinsurers' share of outstanding claims and reserves	**377,883,139**	339,166,728	-	-	**377,883,139**	339,166,728
Reinsurers' share of claims incurred but not reported	**65,106,710**	43,367,257	-	-	**65,106,710**	43,367,257
Deferred policy acquisition costs	**23,086,197**	18,459,055	-	-	**23,086,197**	18,459,055
Available for sale investment	**1,923,080**	1,923,080	-	-	**1,923,080**	1,923,080
Fair value through profit or loss investments	**161,027**	-	**92,086,335**	90,028,540	**92,247,362**	90,028,540
Held-to-maturity investment	**20,073,680**	20,422,907	**55,868,958**	15,108,750	**75,942,638**	35,531,657
Prepayments and other assets	**69,841,769**	55,507,591	**2,295,814**	2,802,309	**72,137,583**	58,309,900
Property and equipment	**7,063,954**	4,833,267	-	-	**7,063,954**	4,833,267
Intangible assets	**11,594,023**	9,803,358	-	-	**11,594,023**	9,803,358
Statutory deposit	-	-	**30,000,000**	30,000,000	**30,000,000**	30,000,000
Accrued income from statutory deposit	-	-	**2,891,455**	2,799,638	**2,891,455**	2,799,638
TOTAL ASSETS	**1,003,601,095**	960,941,918	**351,842,629**	350,489,737	**1,355,443,724**	1,311,431,655

Above stated assets do not include "Due from insurance operations" amounting to SR 46,773,614 (31 December 2020: 20,778,132) to be consistent with total assets presented in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.1 Statement of financial position (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
LIABILITIES						
Policyholders' claims payable	**23,039,414**	21,607,449	-	-	**23,039,414**	21,607,449
Accrued and other liabilities	**97,600,348**	64,916,997	-	-	**97,600,348**	64,916,997
Surplus distribution payable	-	5,577,137	-	-	-	5,577,137
Reinsurance balances payable	**53,286,182**	53,730,084	-	-	**53,286,182**	53,730,084
Unearned premiums	**254,129,776**	265,548,157	-	-	**254,129,776**	265,548,157
Unearned reinsurance commission	**5,256,973**	6,759,142	-	-	**5,256,973**	6,759,142
Outstanding claims and reserves	**446,156,975**	385,850,240	-	-	**446,156,975**	385,850,240
Claims incurred but not reported	**146,966,791**	117,468,630	-	-	**146,966,791**	117,468,630
Accounts payable	-	-	**1,025,583**	1,445,922	**1,025,583**	1,445,922
Employees' end-of-service benefits	**23,938,250**	18,705,950	-	-	**23,938,250**	18,705,950
Provision for zakat	-	-	**8,416,408**	10,517,581	**8,416,408**	10,517,581
Accrued commission income payable to SAMA	-	-	**2,891,455**	2,799,639	**2,891,455**	2,799,639
TOTAL LIABILITIES	**1,050,374,709**	940,163,786	**12,333,446**	14,763,142	**1,062,708,155**	954,926,928
EQUITY						
Share capital	-	-	**300,000,000**	300,000,000	**300,000,000**	300,000,000
Statutory reserve	-	-	**29,473,371**	29,473,371	**29,473,371**	29,473,371
(Accumulated losses)/retained earnings	-	-	**(35,652,959)**	26,981,720	**(35,652,959)**	26,981,720
Re-measurement reserve of end-of-service benefits	-	-	**(1,084,843)**	49,636	**(1,084,843)**	49,636
TOTAL EQUITY	-	-	**292,735,569**	356,504,727	**292,735,569**	356,504,727
TOTAL LIABILITIES AND EQUITY	**1,050,374,709**	940,163,786	**305,069,015**	371,267,869	**1,355,443,724**	1,311,431,655

Above stated liabilities do not include "Due to shareholders' operations" amounting to SR 46,773,614 (31 December 2020: 20,778,132) to be consistent with total liabilities presented in the statement of financial position.

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.2 Statement of income

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
REVENUES						
Gross premiums written	**777,537,673**	795,037,966	-	-	**777,537,673**	795,037,966
Reinsurance premiums ceded						
- Local	**(49,499,918)**	(54,518,400)	-	-	**(49,499,918)**	(54,518,400)
- International (includes premium ceded through local broker)	**(131,371,652)**	(170,236,024)	-	-	**(131,371,652)**	(170,236,024)
	(180,871,570)	(224,754,424)	-	-	**(180,871,570)**	(224,754,424)
Excess of loss/ stop loss expenses						
- Local	**(546,646)**	(402,364)	-	-	**(546,646)**	(402,364)
- International	**(28,234,261)**	(36,896,403)	-	-	**(28,234,261)**	(36,896,403)
	(28,780,907)	(37,298,767)	-	-	**(28,780,907)**	(37,298,767)
Net premiums written	**567,885,196**	532,984,775	-	-	**567,885,196**	532,984,775
Movement in unearned premiums, net	**(840,923)**	(4,587,025)	-	-	**(840,923)**	(4,587,025)
Net premiums earned	**567,044,273**	528,397,750	-	-	**567,044,273**	528,397,750
Reinsurance commissions	**23,516,514**	31,057,481	-	-	**23,516,514**	31,057,481
Other underwriting income	**1,244,494**	6,868,488	-	-	**1,244,494**	6,868,488
NET REVENUES	**591,805,281**	566,323,719	-	-	**591,805,281**	566,323,719
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**550,517,916**	446,868,497	-	-	**550,517,916**	446,868,497
Reinsurers' share of claims paid	**(116,386,036)**	(78,890,405)	-	-	**(116,386,036)**	(78,890,405)
Net claims paid	**434,131,880**	367,978,092	-	-	**434,131,880**	367,978,092
Movement in outstanding claims, net	**29,349,032**	(24,087,623)	-	-	**29,349,032**	(24,087,623)
Net claims incurred	**463,480,912**	343,890,469	-	-	**463,480,912**	343,890,469
Policy acquisition costs	**61,085,624**	58,236,814	-	-	**61,085,624**	58,236,814
Inspection and supervision fees	**7,295,366**	6,907,784	-	-	**7,295,366**	6,907,784
TOTAL UNDERWRITING COSTS AND EXPENSES	**531,861,902**	409,035,067	-	-	**531,861,902**	409,035,067
NET UNDERWRITING INCOME	**59,943,379**	157,288,652	-	-	**59,943,379**	157,288,652

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.2 Statement of income (continued)

	Insurance Operations		Shareholders' Operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
OTHER INCOME/(EXPENSES)						
Income from investments	**577,987**	476,607	**5,117,370**	3,013,328	**5,695,357**	3,489,935
Unrealized gain/(loss) from change in fair value of FVTPL investments	**53,676**	-	**2,057,795**	(643,061)	**2,111,471**	(643,061)
Income from murabaha deposits	**2,019,783**	3,325,582	**3,767,713**	6,390,453	**5,787,496**	9,716,035
Other income	**2,588,003**	3,091,691	-	-	**2,588,003**	3,091,691
General and administrative expenses	**(120,851,613)**	(104,377,811)	**(1,467,504)**	(1,371,382)	**(122,319,117)**	(105,749,193)
Reversal of/(provision for) doubtful debts	**(9,344,168)**	(4,033,355)	-	-	**(9,344,168)**	(4,033,355)
TOTAL OTHER INCOME/(EXPENSES)	**(124,956,332)**	(101,517,286)	**9,475,374**	7,389,338	**(115,480,958)**	(94,127,948)
Total (loss)/income for the year	**(65,012,953)**	55,771,366	**9,475,374**	7,389,338	**(55,537,579)**	63,160,704
Total (loss)/income for the year attributable to shareholders before zakat	**65,012,953**	(50,194,229)	**(65,012,953)**	50,194,229	-	-
Total (loss)/income for the year before zakat	-	5,577,137	**(55,537,579)**	57,583,567	**(55,537,579)**	63,160,704
Zakat charge for the year	-	-	**(7,097,100)**	(10,261,216)	**(7,097,100)**	(10,261,216)
Total (loss)/income for the year after zakat	-	5,577,137	**(62,634,679)**	47,322,351	**(62,634,679)**	52,899,488

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.3 Statement of comprehensive income

	Notes	Insurance Operations		Shareholders' Operations		Total	
		2021	2020	**2021**	2020	**2021**	2020
Total (loss)/income for the year		-	5,577,137	**(62,634,679)**	47,322,351	**(62,634,679)**	52,899,488
Other comprehensive income / (loss) :							
Items that will not be reclassified to statement of income in							
- Actuarial losses on employees' end-of-service benefits	14	**(1,134,479)**	(1,438,651)	-	-	**(1,134,479)**	(1,438,651)
Items that may be reclassified to statement of insurance operations' surplus in subsequent period:							
- Change in fair value of available-for-sale investments, net	8	-	-	-	-	-	-
Total comprehensive loss)/income for the year		**(1,134,479)**	4,138,486	**(62,634,679)**	47,322,351	**(63,769,158)**	51,460,837

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows

		Insurance Operations		*Shareholders' Operations*		*Total*	
	Notes	**2021**	2020	**2021**	2020	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES							
Total (loss)/income for the year before zakat		**(65,012,953)**	55,771,366	**9,475,374**	7,389,338	**(55,537,579)**	63,160,704
Adjustments for non-cash items:							
Depreciation of property and equipment	10	**1,447,112**	2,098,099	-	-	**1,447,112**	2,098,099
Amortization of intangible assets	10	**1,687,966**	1,876,845	-	-	**1,687,966**	1,876,845
Amortisation of held-to-maturity investment	8c	**(410,981)**	(338,721)			**(410,981)**	(338,721)
Provision for doubtful receivables	6	**9,344,168**	4,033,355	-	-	**9,344,168**	4,033,355
Provision for employees' end-of-service benefits	14	**5,015,990**	4,257,890	-	-	**5,015,990**	4,257,890
Unrealized (gain)/loss from change in fair value of FVTPL investments	8b	-	-	**(2,111,471)**	643,061	**(2,111,471)**	643,061
Changes in operating assets and liabilities:							
Premiums and reinsurers' receivable		**(24,883,744)**	(32,028,508)	-	-	**(24,883,744)**	(32,028,508)
Reinsurers' share of unearned premiums		**12,259,304**	(5,327,802)	-	-	**12,259,304**	(5,327,802)
Reinsurers' share of outstanding claims and reserves		**(38,716,411)**	25,456,905	-	-	**(38,716,411)**	25,456,905
Reinsurers' share of claims incurred but not reported		**(21,739,453)**	(1,897,221)	-	-	**(21,739,453)**	(1,897,221)
Deferred policy acquisition costs		**(4,627,142)**	(1,582,004)	-	-	**(4,627,142)**	(1,582,004)
Prepayments and other assets		**(14,334,178)**	(5,513,912)	**506,495**	(166,000)	**(13,827,683)**	(5,679,912)
Policyholders claims payable		**1,431,965**	(1,724,202)	-	-	**1,431,965**	(1,724,202)
Accrued and other liabilities		**32,683,351**	21,773,266	-	-	**32,683,351**	21,773,266
Reinsurance balances payable		**(443,902)**	(39,537,937)	-	-	**(443,902)**	(39,537,937)
Unearned premiums		**(11,418,381)**	9,914,827	-	-	**(11,418,381)**	9,914,827
Unearned reinsurance commission		**(1,502,169)**	44,984	-	-	**(1,502,169)**	44,984
Outstanding claims and reserves		**60,306,735**	(42,352,053)	-	-	**60,306,735**	(42,352,053)
Claims incurred but not reported		**29,498,161**	(5,295,254)	-	-	**29,498,161**	(5,295,254)
Accounts payable		-	-	**(420,339)**	38,086	**(420,339)**	38,086
Cash (used in)/from operating activities		**(29,414,562)**	(10,370,077)	**7,450,059**	7,904,485	**(21,964,503)**	(2,465,592)

(All amounts in Saudi Riyals unless otherwise stated)

26 SUPPLEMENTARY INFORMATION (continued)

26.4 Statement of cash flows (continued)

		Insurance Operations		Shareholders' Operations		Total	
	Notes	**2021**	2020	**2021**	2020	**2021**	2020
Surplus paid to policy holders		(5,577,137)	-	-	-	(5,577,137)	-
Employees' end-of-service benefits paid	14	(918,169)	(2,072,879)	-	-	(918,169)	(2,072,879)
Zakat paid	15	-	-	(9,198,273)	(8,791,559)	(9,198,273)	(8,791,559)
Net cash used in operating activities		(35,909,868)	(12,442,956)	(1,748,214)	(887,074)	(37,658,082)	(13,330,030)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions of property and equipment	10	(3,677,799)	(2,895,748)	-	-	(3,677,799)	(2,895,748)
Additions of intangible assets	10	(3,478,631)	(4,053,605)	-	-	(3,478,631)	(4,053,605)
Addition in held-to-maturity investment		-	(20,000,000)	(40,000,000)	(15,000,000)	(40,000,000)	(35,000,000)
Proceed on maturity of held-to-maturity investment	8c	-	10,000,000	-	-	-	10,000,000
Additions in fair value through profit or loss investments		-	-	(107,351)	-	(107,351)	-
Additions in murabaha deposits		(45,000,000)	##########	(138,000,000)	##########	(183,000,000)	(676,448,739)
Proceed on disposal of murabaha deposits		82,950,565	544,030,800	187,000,000	183,506,804	269,950,565	727,537,604
Net cash from investing activities		30,794,135	19,581,447	8,892,649	(441,935)	39,686,784	19,139,512
CASH FLOWS FROM FINANCING ACTIVITY							
Due to shareholders' operations, net		(805,132)	6,001,331	805,132	(6,001,331)	-	-
Net cash (used in)/from financing activity		(805,132)	6,001,331	805,132	(6,001,331)	-	-
Net change in cash and cash equivalents		(5,920,865)	13,139,822	7,949,567	(7,330,340)	2,028,702	5,809,482
Cash and cash equivalents at the beginning of the year	4	47,691,162	34,551,340	2,308,565	9,638,905	49,999,727	44,190,245
Cash and cash equivalents at the end of the year	4	41,770,297	47,691,162	10,258,132	2,308,565	52,028,429	49,999,727
Supplemental non-cash information:							
Actuarial loss on remeasurement of employees' end-of-service benefits	14	(1,134,479)	(1,438,651)	-	-	(1,134,479)	(1,438,651)

27 APPROVAL OF FINANCIAL STATEMENTS

The financial statements was authorized for issue in accordance with a resolution of the Board of Directors on 18 Shaban 1443H (corresponding to 21 March 2022).