AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

INDEX

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

Opinion

We have audited the financial statements of **Al Rajhi Company for Cooperative Insurance** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the related statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory notes.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Independent Auditors' Report (Continued)

Key Audit Matters (Continued)

Valuation of claim liabilities arising from insurance contracts	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2022, the gross outstanding claims including claims incurred but not reported (IBNR) and contribution deficiency reserves amounted to SR 1,472 million (2021: SR 1,417 million) as reported in Note 11 of the financial statements. The estimation of insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claim handling costs. The company principally uses an external actuary ("management actuary") to provide them with the estimate of such liabilities. A range of methods are used by the actuary to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liability require the use of significant judgments and estimates. *Refer to notes 2 & 4 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.*	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for sample of claims notified and paid: including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. • Challenged management's methodologies and assumptions, through assistance by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert our actuary performed the following: i. Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought explanation from management for any significant differences; ii. Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and iii. Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Independent Auditors' Report (Continued)

Other information

Management is responsible for the other information. Other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

Independent Auditors' Report (Continued)

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

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

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

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

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

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

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

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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09 March 2023
17 Shaban 1444H

السيد العيوطي وشركاه
محاسبون ومراجعون قانونيون
س.ت رقم ٤٠٣٠٢٩١٢٤٥
CERTIFIED PUBLIC ACCOUNTANTS
C.R. No. 4030291245
EL SAYED EL AYOUTY & CO.

STATEMENT OF FINANCIAL POSITION
As at December 31,

	Notes	SAR '000 2022	SAR '000 2021
ASSETS			
Cash and cash equivalents	5	**618,495**	498,996
Contributions and re-takaful / reinsurance balances receivable, net	6	**683,950**	414,546
Re-takaful / reinsurance share of unearned contributions	11.2	**320,424**	227,284
Re-takaful / reinsurance share of outstanding claims	11.1 (a)	**186,097**	207,122
Re-takaful / reinsurance share of claims incurred but not reported	11.1 (a)	**93,146**	60,387
Re-takaful / reinsurance share of mathematical reserve at fair value through statement of income (FVSI)		**45**	31
Deferred policy acquisition costs	11.3	**164,633**	109,940
Investments mandatorily measured at fair value through statement of income (FVSI)	10 (a)	**467,754**	526,904
Investments designated as fair value through other comprehensive income (FVOCI)	10 (b)	**429,926**	435,284
Investments held at amortised cost	10 (c)	**2,197,736**	1,889,566
Prepayments and other assets	13	**89,555**	88,712
Property and equipment, net	8	**81,041**	83,216
Statutory deposit	9	**39,971**	39,971
Accrued income on statutory deposit		**5,026**	3,626
Right-of-use assets	7	**48,371**	55,733
TOTAL ASSETS		**5,426,170**	4,641,318
LIABILITIES			
Payables, accruals and other liabilities	14	**277,606**	180,208
Re-takaful / reinsurance balances payable		**311,837**	179,530
Unearned contributions	11.2	**1,603,783**	1,168,466
Unearned re-takaful / reinsurance commission income	11.4	**28,780**	20,457
Gross outstanding claims	11.1 (a)	**125,150**	471,282
Claims incurred but not reported	11.1 (a)	**1,294,170**	881,625
Contribution deficiency reserve	11.1 (a)	**52,587**	64,301
Unit linked liabilities at FVSI	11.1 (a), 22	**275,118**	217,611
End-of-service benefits (EOSB)	16	**22,812**	24,635
Provision for zakat	21	**49,925**	51,341
Payables to SAMA		**9,735**	8,336
Lease obligations	15	**49,222**	54,482
		4,100,725	3,322,274
Takaful operations' surplus payable	26	**37,318**	48,628
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		**4,138,043**	3,370,902
EQUITY			
Share capital	23	**400,000**	400,000
Statutory reserve		**196,109**	178,186
Retained earnings		**667,246**	595,551
Remeasurement reserve for EOSB	16	**(5,423)**	(7,327)
Fair value reserve - investments designated as FVOCI		**30,195**	104,006
TOTAL EQUITY		**1,288,127**	1,270,416
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY		**5,426,170**	4,641,318
COMMITMENTS AND CONTINGENCIES	12	**61,318**	40,190

Nabeel Ali Shoaib	Mahmood Salim Dahduli	Muhammad Imran Bashir
Member-Board	Chief Executive Officer	Chief Financial Officer - Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31

	Notes	SAR '000 2022	SAR '000 2021
REVENUES			
Gross contribution written	11.2	**3,470,070**	2,759,590
Re-takaful / reinsurance contributions ceded - domestic	11.2	**(2,996)**	(11,610)
Re-takaful / reinsurance contributions ceded - foreign	11.2	**(668,064)**	(529,546)
Excess of loss expenses (XOL)	11.2	**(13,003)**	(10,707)
Net contributions written	11.2	**2,786,007**	2,207,727
Changes in unearned contributions, net		**(342,178)**	53,312
Net contributions earned		**2,443,829**	2,261,039
Re-takaful / reinsurance commission income	11.4	**39,515**	35,924
Other underwriting income		**6,334**	6,390
TOTAL REVENUES		**2,489,678**	2,303,353
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid and loss adjustment expenses		**(1,864,802)**	(1,785,465)
Surrenders and maturities		**(45,173)**	(28,810)
Expenses incurred related to claims		**(36,783)**	(27,584)
Re-takaful / reinsurance share of claims paid		**171,166**	126,054
Net claims and other benefits paid		**(1,775,592)**	(1,715,805)
Changes in outstanding claims, net		**325,107**	(41,100)
Changes in incurred but not reported (IBNR) claims, net		**(379,786)**	24,099
Change in contribution deficiency reserve		**11,714**	10,651
Net claims and other benefits incurred		**(1,818,557)**	(1,722,155)
Change in unit linked liabilities at FVSI, net		**(68,173)**	(50,852)
Policy acquisition costs	11.3	**(341,884)**	(191,027)
Other underwriting expenses, net		**(17,306)**	(12,809)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(2,245,920)**	(1,976,843)
NET UNDERWRITING INCOME		**243,758**	326,510
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of allowance for doubtful debts - contributions and re-takaful / reinsurance balances receivable	6	**20,846**	5,748
General and administrative expenses	18	**(259,641)**	(289,905)
Special commission income		**60,711**	51,033
Net gains on investments mandatorily measured at FVSI		**16,570**	17,568
Dividend income		**13,029**	13,509
Reversal / impairment loss on financial assets	10.e	**(242)**	10
Other income		**12,726**	1,028
TOTAL OTHER OPERATING EXPENSES		**(136,001)**	(201,009)
Net income for the year before zakat		**107,757**	125,501
Net income for the year attributable to takaful operations	26	**(7,889)**	(10,118)
Net income for the year before zakat attributable to the shareholders		**99,868**	115,383
Provision for zakat	21	**(10,250)**	(16,912)
Net income for the year after zakat attributable to the shareholders		**89,618**	98,471
Earnings per share (EPS)			
Basic and diluted EPS	25	**2.24**	**2.46**

Nabeel Ali Shoaib	Mahmood Salim Dahduli	Muhammad Imran Bashir
Member-Board	Chief Executive Officer	Chief Financial Officer - Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31

	Notes	SAR '000 2022	SAR '000 2021
Net income for the year after zakat attributable to the shareholders		**89,618**	98,471
Other comprehensive income:			
Items that will not be reclassified to statement of income in subsequent years			
- Net fair value changes on investments designated as FVOCI	10 (b)	**(73,811)**	59,139
- Remeasurement of EOSB	16.2	**1,904**	425
Total comprehensive income for the year		**17,711**	158,035

Nabeel Ali Shoaib
Member-Board

Mahmood Salim Dahduli
Chief Executive Officer

Muhammad Imran Bashir
Chief Financial Officer- Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31
(SAR in '000')

	Notes	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
Balance as at January 1, 2022		**400,000**	**178,186**	**595,551**	**(7,327)**	**104,006**	**1,270,416**
Total comprehensive income attributable to the shareholders :							
- Net income for the year after zakat attributable to the shareholders		-	-	89,618	-	-	89,618
- Net fair value changes on investments designated as FVOCI		-	-	-	-	(73,811)	(73,811)
- Remeasurement of EOSB		-	-	-	1,904	-	1,904
		-	-	89,618	1,904	(73,811)	17,711
Transfer to statutory reserve		-	17,923	(17,923)	-	-	-
Balance as at December 31, 2022		**400,000**	**196,109**	**667,246**	**(5,423)**	**30,195**	**1,288,127**

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for EOSB	Fair value reserve - investments designated as FVOCI	Total
Balance as at January 1, 2021	400,000	158,491	516,775	(7,752)	44,867	1,112,381
Total comprehensive income attributable to the shareholders :						
- Net income for the year after zakat attributable to the shareholders	-	-	98,471	-	-	98,471
- Net fair value changes on investments designated as FVOCI	-	-	-	-	59,139	59,139
- Remeasurement of EOSB	-	-	-	425	-	425
	-	-	98,471	425	59,139	158,035
Transfer to statutory reserve	-	19,695	(19,695)	-	-	-
Balance as at December 31, 2021	400,000	178,186	595,551	(7,327)	104,006	1,270,416

Nabeel Ali Shoaib
Member-Board

Mahmood Salim Dahduli
Chief Executive Officer

Muhammad Imran Bashir
Chief Financial Officer- Acting

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended December 31

	Notes	SAR '000 2022	SAR '000 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before zakat		**107,757**	125,501
Adjustments for non-cash items:			
Depreciation of property and equipment, net	8	**23,906**	13,959
Depreciation of right-of-use assets	7	**7,362**	9,410
Write-off of assets, net		**7,146**	35,679
Reversal of doubtful debts-contributions and re-takaful / reinsurance balances receivable	6	**(26,349)**	(60,467)
Unrealized gain on investments mandatorily measured at FVSI	10 (a)	**(15,854)**	(26,924)
Impairment / reversal of impairment loss		**278**	(10)
Finance cost	15	**6,742**	2,589
Provision for end-of-service benefits (EOSB)	16	**4,673**	4,853
		115,661	104,590
Changes in operating assets and liabilities:			
Contributions and re-takaful / reinsurance balances receivable		**(243,055)**	210,109
Re-takaful / reinsurance share of unearned contributions		**(93,140)**	(16,861)
Re-takaful / reinsurance share of outstanding claims		**21,025**	(121,653)
Re-takaful / reinsurance share of claims incurred but not reported		**(32,759)**	(33,430)
Re-takaful / reinsurance share of mathematical reserve at FVSI		**(14)**	(8)
Deferred policy acquisition costs		**(54,693)**	(22,349)
Prepayments and other assets		**(843)**	5,071
Accrued income on statutory deposit		**(1,400)**	(1,399)
Payable, accruals and other liabilities		**97,398**	(99,994)
Unit linked liabilities at FVSI		**57,507**	76,518
Re-takaful / reinsurance balances payable		**132,307**	2,088
Unearned contributions		**435,317**	(36,451)
Unearned re-takaful / reinsurance commission		**8,323**	5,555
Gross outstanding claims		**(346,132)**	162,753
Claims incurred but not reported		**412,545**	9,331
Contribution deficiency reserve		**(11,714)**	(10,651)
Deposit against guarantees		**(21,128)**	(19,117)
Payables to SAMA		**1,399**	1,399
		476,604	215,501
Zakat paid	21	**(11,666)**	(20,721)
Takaful operations' surplus paid	26	**(19,199)**	(9,806)
End-of-service benefits paid (EOSB)	16.2	**(4,592)**	(7,473)
Net cash generated from operating activities		**441,147**	177,501
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments mandatorily measured at FVSI	10 (a)	**(2,165,811)**	(2,353,170)
Disposals of investments mandatorily measured at FVSI	10 (a)	**2,240,815**	2,386,909
Purchase of investments designated as FVOCI	10 (b)	**(68,453)**	(65,023)
Disposals of investments designated as FVOCI	10 (b)	**-**	15,326
Purchase of investments held at amortised cost	10 (c)	**(2,391,249)**	(831,987)
Disposal of investments held at amortised cost	10 (c)	**2,082,927**	321,300
Additions in property and equipment	8	**(28,877)**	(32,556)
Net cash used in investing activities		**(330,648)**	(559,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability paid	15	**(12,002)**	(12,315)
Net cash used in financing activities		**(12,002)**	(12,315)
Net change in cash and cash equivalents		**98,497**	(394,015)
Cash and cash equivalents, at the beginning of the year	5	**454,097**	848,112
Cash and cash equivalents, at the end of the year	5	**552,594**	454,097
NON-CASH INFORMATION			
Changes in fair value of investments designated as FVOCI		**(73,811)**	59,139
Remeasurement of end-of-service benefits (EOSB)		**(1,904)**	(425)
Right-of-use assets additions		**4,103**	21,976

Nabeel Ali Shoaib	Mahmood Salim Dahduli	Muhammad Imran Bashir
Member-Board	Chief Executive Officer	Chief Financial Officer- Acting

Notes to the financial statements

For the year ended December 31, 2022

1. GENERAL

Al Rajhi Company for Cooperative Insurance (a Saudi Joint Stock Company incorporated in Kingdom of Saudi Arabia), “the Company”, was formed pursuant to Royal Decree No. (M/35) dated Jumada al thani 27,1429. (January 1, 2008). The Company operates under Commercial Registration no. 1010270371 dated Rajab 5, 1430, corresponding to June 28, 2009. The registered address of the Company's head office is as follows:

Al Rajhi Company for Cooperative Insurance
P.O. Box 67791
Riyadh 11517
Kingdom of Saudi Arabia.

The purpose of the Company is to conduct takaful operations and all related activities including re-takaful / re-insurance and agency activities. Its principal lines of business include motor, medical, protection & savings, marine, fire, engineering and casualty insurance.

On July 31, 2003, corresponding to Jumada al thani 2, 1424, the Saudi Central Bank (“SAMA”), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On April 20, 2004, corresponding to Rabi' al-awwal 1, 1425, the Law on the Supervision of Cooperative Insurance Companies (“Insurance Law”) was promulgated by Royal Decree Number (M/32).

As a commitment from the Company for its activities to be in compliance with Islamic Shari’a legislations, since its inception, the Company has established a Shari’a Authority to review and approve the activities and the products of the Company.

Statement of compliance

The financial statement of the Company as at and for the year ended 31 December 2022, has been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).”

2. BASIS OF PREPARATION

a) Basis of presentation and measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except for investments measured at fair value through statement of income (FVSI), investments designated as fair value through other comprehensive income (FVOCI), unit linked liabilities measured at FVSI and employees' end of service benefits (EOSB) carried at present value using Projected Unit Credit Method. The Company’s statement of financial position is not presented using a current / non-current classification. The following balances would generally be classified as non-current: financial assets at fair value through other comprehensive income, financial assets at amortised cost, property and equipment, right of use assets, statutory deposit, other assets, end of service benefits and payable to shareholders. All other assets and liabilities are classified as current.

As required by the Saudi Arabian Insurance Regulations and guidelines of the sharia board, the Company maintains separate books of accounts for takaful operations and shareholders’ operations and presents the financial information accordingly (refer note 27). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

2. BASIS OF PREPARATION (continued)

a) Basis of presentation and measurement (continued)

As per the Company's policy, all general and administrative expenses of takaful operations are charged to shareholders' operations. The Company operates in accordance with the Islamic Shariah provisions manages the co-operative insurance operations and calculates the management fee (refer note 4.19) and pays it in full shortly after the end of the fiscal year.

The statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in note 27 of the financial statement have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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

b) Fiscal year

The Company follows a fiscal year ending December 31.

c) Critical accounting judgments, estimates and assumptions

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

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

Notes to the financial statements (continued)

2. BASIS OF PREPARATION (continued)

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

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

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

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

ii. Measurement of expected credit loss allowance on financial assets accounted for under IFRS 9

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, other than contributions and re-takaful balances receivable, is an area that requires the use of complex models and significant assumptions about future economic conditions.

Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss (ECL) is further detailed in note 28.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

Number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

a. Determining criteria for significant increase in credit risk;
b. Choosing appropriate models and assumptions for the measurement of ECL;
c. Establishing groups of similar financial assets for the purposes of measuring ECL.

iii) Impairment of contributions and re-takaful balances receivable accounted for under IAS-39

Insurance contracts are accounted for under IFRS-4 and excluded from the scope of IFRS-9. Therefore, these continue to be accounted for under IAS-39. A provision for impairment of contribution and re-takaful balances receivable 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 investments designated as FVOCI 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 value of such securities not quoted in an active market may be determined by the Company using latest available audited net assets value of the investee. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the market practice. As of December 31, 2022, the Company has unlisted equity investments of SAR 7.54 million (December 31, 2021 SAR 7.54 million).

Notes to the financial statements (continued)

2. BASIS OF PREPARATION (continued)

d) Seasonality of operations

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

e) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial information values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

3. STANDARDS AND AMENDMENTS ISSUED

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2021.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted.

The Company will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 17 – Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF").

1) Structure and status of the Implementation project

The timelines below illustrates the company's IFR 17 project plan through different phases of implementation

S#	Activities	SAMA implementation phases	2019	2020	2021	2022
1	Operating impact assessment	Phase 1				
2	Financial impact assessment	Phase 2				
3	Design	Phase 3				
4	Implementation	Phase 3				
5	Dry runs	Phase 4				
6	Go Live	Phase 4				
7	Training & Governance	All phases				
8	Appointed Actuary	All phases				
9	Audit and Assurance	Phase 4				

The IFRS 17 project for the company commenced in December 2018 when the SAMA Phase 1 requirements were released. This provided and initial push for the project however, the current status of the project has been driven by the company's Steering Committee with the support of the appointed consultants. The above timelines illustrate the overall IFRS 17 timelines. Our work on implementing IFRS 17 is in line with SAMA's expectation and guidance and this implementation plan reflects all aspects laid out by SAMA. The company, having large volumes of business and catering to all lines of business, have had dig much deeper to draw up a future proof plan in order to achieve a successful and a fit-for-purpose outcome.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

1) Structure and status of the Implementation project (continued)

The decision to opt for an IFRS 17 solution is aligned with our existing financial reporting platform. This provides alignment and integration to our Finance ERP. In addition to the systems providing compatibility, the use of a common implementation partner reduces the burden of multiple system integration.

The company has submitted Implementation plan to SAMA, and unaudited dry run results to SAMA using 2020, 2021 and six months period ended 30th June 2022. The audit of 2nd and 3rd dry runs using 31 December 2021 and 30th June 2022 data respectively have been concluded with SAMA.

In order to ensure robust governance on the project, the company had decided to hire a leading consultancy firm in the role of Project Management Consultant (PMC) and hired a consultant during 2020 for Phase 2 "Financial Impact Analysis" only. Later on the Company appointed the consultant for the phase 3 and phase 4. Following this the management establish an IFRS 17 steering committee in December 2019 led by the CFO as the project sponsor and a mixture of actuarial, accounting and system personnel from both within the company and the PMC. The mandate set for the steering committee includes accountability for sufficient and appropriate governance over key judgment and design decisions.

Ownership and responsibilities for methodologies and process decisions decide with the CFO, Appointed Actuary and others (as detailed in the Responsibility Matrix below). The IFRS 17 steering committee reviews and overseas technical papers (new accounting policy papers) which support design decisions and changes.

Project progress is monitored throughout all the phases of the IFRS 17 project and corrective actions are implemented when required. Future changes to the implementation plan will be overseen by the IFRS 17 steering committee, which meets on a regular basis to ensure an effective transitioning process.

The governance framework has been divided into following sections for different phases including transition and Go live.

- Project planning and management
- Business processes, systems and data
- Financial reporting and controls
- Accounting policies, judgements and estimates
- Resources and training
- Business impact
- Stakeholder communication
- Disclosures
- Change management

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

1) Structure and status of the Implementation project (continued)

The Project team structure for IFRS 17 implementation is given below in descending order.
Board of Directors (BOD)
Audit Committee
Steering Committee (SteerCo)
Appointed actuary
Company's project lead (CFO)
Consultant technical team
Consultant project team
Company's project team

Following will be roles of each project team member for IFRS 17 implementation

Team	Roles
BOD	BOD's objective is to monitor IFRS 17 project status, costs/budgets involved and overall timely completion of IFRS 17 project
Audit Committee	Audit Committee's key role is to review and assess the accounting policy choices and technical accounting policy decisions with a view to assess the suitability for IFRS 17 financial statements and provide Board of Directors a view regarding policies and methodologies for IFRS 17
Steering Committee (SteerCo)	SteerCo performs detailed reviews of technical accounting and actuarial papers and presents the key findings to the audit committee. The company manages and tracks the implementation of IFRS 17 project through a steering committee created for this purpose.
Company's project sponsor (CFO)	The company's project lead is the key contact for the day to day execution of the project, liaises with external consultants, SAMA and auditors. Project lead is also responsible to provide first level technical input on accounting policies and methodologies.
Appointed actuary	Appointed Actuary (AA) - AA is the owner of the IFRS 17 actuarial methodologies and actuarial aspects of IFRS 17 solution.
Consultant technical team	The consultant's team coverage areas of Accounting, Actuarial and IT are part of Company's IFRS 17 team
Consultant project team	The consultant has dedicated a team of professionals for implementation of IFRS 17 for the company
Company's project team	The company has dedicated personnel from finance, actuarial, underwriting, IT and reinsurance departments for implementation of IFRS 17

The responsibility matrix was used as a key point of reference to govern the structure to be followed for the various roles across each of the key areas. The following table summarizes the approach used in assigning these roles.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

1) Structure and status of the Implementation project (continued)

Area	Ownership	Contributors	Reviewers	Approval
IFRS 17 Accounting Policies *	Chief Financial Officer	Finance Function Actuarial Function Underwriting Teams External Consultant	Company IFRS 17 Steering Committee	Audit Committee
IFRS 17 Valuation Methodologies	Appointed Actuary / Internal Actuary	Finance Function Actuarial Function External Consultant		
Financial Statements	Chief Financial Officer	Finance Function External Consultant		
Data *	Chief Financial Officer / Chief Underwriting Officer	Finance Function Actuarial Function Underwriting Teams External Consultant		
Staff	Head of Human Resources	Finance Function Actuarial Function External Consultant		
Systems*	Chief Financial Officer / Project Managers	Finance Function Departmental teams External Consultant		

* Internal Audit has conducted the review on governance of the above activities.

Few areas are still under progress and will be completed within the time frame and will not impact the issuance of Q1 2023 financial statements under IFRS 17.

2) Significant Judgements and Accounting Policy Choices

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

a) Contracts within/outside the scope of IFRS 17
When identifying contracts in the scope of IFRS 17, in some cases the company have assessed whether a set of or series of contracts need to be treated as a single contract and whether the embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard for insurance and reinsurance contracts, the company does not expect significant changes arising from the application of these requirements. Therefore all insurance contracts issued and reinsurance contracts held are within the scope of IFRS 17 except for the self-insurance contracts. Further, the company doesn't have embedded derivatives in insurance contracts written and / or reinsurance contracts held.

b) Combination/Unbundling of Contracts
The Company does not issue any insurance contracts and held reinsurance contracts which qualify contract combination / unbundling.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

c) Level of Aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Group of contracts are determined by first identifying portfolios of contracts, each comprising groups of contracts with similar risks which are managed together. Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolios are further divided based on expected profitability at inception into three categories.

- Group of contracts that are onerous on initial recognition
- Group of contracts that, on initial recognition have no significant possibility of becoming onerous, and
- Group of remaining contracts

This mean that, for determining the level of aggregation the Company identifies a contract as the smallest unit i.e. the lowest common denominator. However, the company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e. legal or management). Further, no group for level of aggregation purposes contains contracts issued more one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constraints its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain or initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract. Below are the considerations used to determine level of aggregation for the company.

S#	Segments / Lines of business	Level of aggregation - Insurance contracts issued	Level of aggregation - Reinsurance contracts held
1	Health	- Legal entity	- Line of business
2	Motor	- General Line of business	- Treaty name / number
3	Accident and Liability	- Line of business	- Inception year
4	Property	- Branch	
5	Marine	- Channel	
6	General Accident	- Inception year	
7	Protection and Savings	- Profitability	

d) Measurement – Overview

i. Measurement model(s)

The company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities remaining coverage, the PAA is broadly similar to the company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

In PAA Liability for remaining coverage (LFRC) and Asset for remaining coverage (AFC) for those groups of insurance contracts where the coverage period was more than one year. The calculation was performed under both simplified approach i.e. Premium Allocating Approach (PAA) and General Measurement Model (GMM). Situations, which may cause the LFRC and / or ARC under LFRC and / or ARC under the GMM.

ii. Discounting methodology
All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The company generally determines the risk-free rates using Saudi Arabia Government Bonds . The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

iii. Risk Adjustment methodology, including correlations, and Confidence level selected
Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique. The risk adjustments for non-financial risk are determined using the following techniques:
non-life contracts, a confidence level technique;

Life and participating contracts outside Europe: a confidence level technique; and life and participating contracts in Europe: a cost of capital technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results. Applying a confidence level technique, the company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

e) Significant Judgements and Estimates (continued)

iv. CSM release pattern

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognizing in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

v. Onerosity determination

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

-Pricing information

-Results of similar contracts it has recognized

-Environmental factors, e.g. a change in market experience or regulations.

vi. Provision for Doubtful Debts

Insurance contracts are accounted for under IFRS-17 and excluded from the scope of IFRS-9. However, the company has developed impairment methodology for Contribution and re-takaful / reinsurance balance receivable/ recoverable based on the methodology as provided by IFRS 9.

vii. Reinsurer Default provision

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in profit or loss.

viii. VAT treatment

Transaction-based taxes (such as premium taxes, value added taxes and goods and services taxes) and levies that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis. These are part of fulfillment cash flows within the boundary of insurance contracts.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

f) Accounting Policy Choices

i. Length of Cohorts
Company has adopted annual cohorts to measure groups of insurance contracts issued and reinsurance contracts held.

ii. Use of OCI for Insurance Finance income / expenses (IFIE)
The company will record IFTE through the statement of profit or loss and not considering to adopt OCI policy option.

iii. Unwinding of Discount on Risk Adjustment
Company will choose not to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result in statement of profit or loss.

iv. Expense Attribution
The company identify expenses which are directly attributable towards acquiring (acquisition cost) and fulfilling / maintaining (other attributable expenses) the new business and those which are not (non-attributable expenses). Acquisition costs, such as underwriting costs except for initial commissions paid, will no longer be recognized in the statement of income when incurred and instead will be spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity based costing principles. The company has determined costs directly identified to the groups of contracts as well as costa where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses, overheads and one-off exceptional expenses will typically be recognized in the profit or loss account immediate when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

v. Deferral of Acquisition Cost
Where coverage period of all contracts within a group is no longer than one year, acquisition costs (revised as per IFRS 17) can either be expensed as they arise or capitalized and amortized over the coverage period. For groups containing contracts longer than one year, acquisition costs must be capitalized.

vi. Policyholder Surplus accounting
We have considered the implications of 10% surplus distribution as a part of non-distinct investment component analysis. However, separate presentation of policyholder and shareholder results has not been allowed for in the implementation plan since lowest unit of account has been determined at insurance contract level.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure

i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements

Statement of Financial Position

IFRS - 4		
	202X	202X
	SAR '000	
Assets		
Cash and cash equivalents		
Contributions and re-takaful / reinsurance balances receivable, net		
Re-takaful / reinsurance share of unearned contributions		
Re-takaful / reinsurance share of outstanding claims		
Re-takaful / reinsurance share of claims incurred but not reported value through profit or loss (FVTPL)		
Deferred policy acquisition costs		
Investments mandatorily measured at Fair Value through statement of income (FVSI)		
Investments designated at Fair value through other comprehensive income (FVOCI)		
Investments held at amortised cost		
Prepayments and other assets		
Property and equipment, net		
Statutory deposit		
Accrued income on statutory deposit		
Right-of-use assets		
Total assets	-	-
Liabilities		
Payables, accruals and other liabilities		
Re-takaful / reinsurance balances payable		
Unearned contributions		
Unearned re-takaful / reinsurance commission income		
Gross outstanding claims		
Claims incurred but not reported		
Contrbution deficiency reserve		
Unit linked liabilities at FVSI		
End of service benefits		
Provision for zakat and income tax		
Payable to SAMA		
Lease obligations		
	-	-
Takaful operations' surplus payable		
Total liabilities and accumulated surplus	-	-
Equity		
Share capital		
Statutory reserve		
Retained earnings		
Remeasurement reserve for End of service benefits		
Fair value reserve - investments designated as FVOCI		
Total equity	-	-
Total liabilities, accumulated surplus and equity	-	-

IFRS - 17		
	202X	202X
	SAR '000	
Assets		
Cash and cash equivalents		
Insurance contract assets		
Reinsurance contract assets		
Investments mandatorily measured at Fair Value through statement of income (FVSI)		
Investments designated at Fair value through other comprehensive income (FVOCI)		
Investments held at amortised cost		
Prepayments and other assets		
Property and equipment, net		
Statutory deposit		
Accrued income on statutory deposit		
Right-of-use assets		
Total assets	-	-
Liabilities		
Payables, accruals and other liabilities		
Insurance contract liabilities		
Reinsurance contract liabilities		
End of service benefits		
Provision for zakat and income tax		
Payable to SAMA		
Lease obligations		
Takaful operations' surplus payable		
	-	-
Total liabilities	-	-
Equity		
Share capital		
Statutory reserve		
Retained earnings		
Remeasurement reserve for End of service benefits		
Fair value reserve - investments designated as FVTOCI		
Total equity	-	-
Total liabilities and equity	-	-

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure (continued)

i. Presentation: Key changes between IFRS4 and IFRS17 Financial Statements (continued)

Statement of Profit or Loss

IFRS - 4	202X SAR '000
Revenues	
Gross contribution written	
Re-takaful / reinsurance contributions ceded - domestic	
Re-takaful / reinsurance contributions ceded - foreign	
Excess of loss expenses (XOL)	
Net contributions written	-
Changes in unearned contributions, net	
Net contributions earned	-
Re-takaful / reinsurance commission income	
Other underwriting income	
Total Revenues	-
Underwriting Costs and Expenses	
Gross claims paid and loss adjustment expenses	
Surrenders and maturities	
Expenses incurred related to claims	
Re-takaful / reinsurance share of claims paid	
Net claims and other benefits paid	-
Changes in outstanding claims, net	
Changes in incurred but not reported (IBNR) claims, net	
Change in contrbution deficiency reserve	
Net claims and other benefits incurred	-
Change in unit linked liabilities at FVSI, net	
Policy acquisition costs	
Other underwriting expenses	
Total Underwriting Costs and Expenses	-
Net Underwriting Income	-
Other Operating (Expenses)/ Income	
Allowance for doubtful debts - contributions and re-takaful / reinsurance balances receivable	
General and administrative expenses	
Special commission income	
Net gains on investments mandatorily measured at FVSI	
Dividend income	
Reversal of impairment on financial assets	
Other expenses	
Total Other Operating Expenses	-
Net income for the year before zakat	-
Net income for the year attributable to takaful operations	
Net income for the year before zakat attributable to the shareholders	-
Provision for zakat	
Net income for the year after zakat attributable to the shareholders	-

IFRS - 17	202X SAR '000
Insurance revenue	
Insurance service expenses	
Insurance service result before reinsurance contracts held	-
Allocation of reinsurance premiums	
Amounts recoverable from reinsurers for incurred claims	
Net (expenses) / income from reinsurance contracts held	-
Insurance service result	-
Net fair value gains/(losses) on financial assets at fair value	
Other investment revenue (Dividend income)	
Reversal of impairment on financial assets	
Investment return	-
Net finance Income from insurance contracts issued	
Net finance income from reinsurance contracts held	
Movement in investment contract liabilities	
Net insurance financial result	-
Revenue from investment management services	
Other income	
Allowance for doubtful debts	
General and administrative expenses	
Special commission income	
Other movement	
Profit for the year before zakat attributable to the shareholders	-
Net income for the year attributable to takaful operations	-
Provision for zakat	-
Profit for the year after zakat attributable to the shareholders	-

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

g) Presentation and Disclosure (continued)

ii. Disclosures

The complete set of disclosures, including listed below, will be included as part of the financial statements issued under IFRS 17

- Reconciliations for changes in Liability for Remaining Coverage, Liability for Incurred Claims, and Loss Components for Insurance contracts and for Reinsurance Held
- Reconciliation of the measurement components of Insurance/ Reinsurance Held contract balances
- Analysis of Insurance Revenue
- Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held
- Risk Framework:
  - Insurance risk
  - Market risk
  - Credit risk
  - Operational risk
  - Liquidity Risk
  - Financial risk
- Sensitivity analysis

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

2) Significant Judgements and Accounting Policy Choices (continued)

h) Transition

i. Choice of Method

At 1 January 2022, the Company applied the following approaches to identify and measure certain groups of contracts in the Protection & Savings, Property and Casualty, Motor and Health segments on transition to IFRS 17.

Year of Issue	Transition Approach
From Inception	All groups except for Protection & Savings : Full retrospective approach
2015-2022	Protection & Savings for which the full retrospective approach was impracticable: Modified retrospective approach (Child Education Takaful Plan and Individual Retirement Policy)

Full retrospective approach

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach for Property & Casual, Motor and Medical and modified retrospective approach for Protection & Savings to the extent practicable. Under the full retrospective approach, at1 January 2022 the Company:

a. identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
b. identified, recognized and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
c. derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts;

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2020 are presented in the statement of changes in equity.

Modified retrospective approach

For Protection & Savings, the Company applied the modified retrospective approach in IFRS 17 to identify, recognize and measure certain groups of contracts at 1 January 2022, because it was impracticable to apply the full retrospective approach.

The Company considered the full retrospective approach impracticable for Protection and Saving segment under any of the following

a. The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
   - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
   - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
   - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
   - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

b. The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
   - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
   - assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2022; and
   - assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2022.

ii. Length of Comparatives

The balance sheet will be presented with the 31-December-2022 and 1-January-2022 comparatives and the Income statement will have the prior year comparative only.

Notes to the financial statements (continued)

3. STANDARDS AND AMENDMENTS ISSUED (continued)

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

3) Transition Impact

3a) Impact on Equity

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is an increase in the Company's total equity of SAR 58.3m at 1 January 2022. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023. These are provisional numbers and are subject to change during the review/audit of opening balances in 2023.

Drivers of Changes in Equity	**Impact on equity on transition to IFRS 17 on Jan 1, 2022**
Risk adjustments, net	(83,627)
Loss component, net of contribution deficiency reserve	1,967
Discounting on liability for incurred claims ('LIC'), net of Reinsurance	17,311
Release of management reserves under IFRS 4	63,362
IFRS 17 CSM impact (Premium receipt adjustment etc.)	67,217
Others	(7,965)
Total Impact	**58,265**

3b) Impact on Liabilities and Assets

Impact on Liabilities and Assets	**Impact on equity on transition to IFRS 17 on Jan 1, 2022**
Liabilities	
Risk adjustment on liability for incurred claims ('LIC')	(127,921)
Discounting of LIC	18,413
Loss component, net of contribution deficiency reserve	1,967
Premium receivable - reclassification	380,981
Deferred insurance acquisition cost - reclassification	109,940
Unearned reinsurance commission - reclassification	20,457
Re-Takaful balances payable - reclassification	233,157
Reserve adjustments - LIC	63,362
CSM impact from GMM & VFA	83,373
Others (reclassification of ICA etc.)	(2,731)
Total Impact on Liabilities	**780,998**
Assets	
Risk adjustment on amounts recoverable for incurred claims ('AIC')	44,294
Discounting of AIC	(1,102)
Deferred insurance acquisition cost - reclassification	(109,940)
Premium receivable - reclassification	(380,981)
Re-Takaful receivable - reclassification	(233,157)
Unearned reinsurance commission - reclassification	(20,457)
CSM impact from GMM & VFA	(16,156)
Others (reclassification of ICA etc.)	(5,234)
Total Impact on Assets	**(722,733)**

3. STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

3) Transition Impact (continued)

3c) Sources of Uncertainties

The above numbers are based on the dry runs which have been audited by the external auditors and independent actuarial team of the auditor. However, the standard is still not officially effective and there are still many uncertainties relating to above transition impact. Following are the key uncertainties but may not be the complete list:

1) data reconciliation and integrations;

2) System implementations

3) Further audit and reviews

4) Actuarial assumptions

5) Market assumptions

6) Industrial pools and related data limitations

7) Bulk receipt matching assumptions etc.

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies are as follows; these policies have been applied consistently where otherwise mentioned.

4.1 Takaful contracts

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of an insured event.
Once a contract has been classified as a takaful contract, it remains a takaful contract till its maturity, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and murabaha deposits with an original maturity of three months or less from the acquisition date.

4.3 Contributions and re-takaful/ reinsurance balances

Contributions receivable are stated at gross written contributions receivable from insurance contracts, less an allowance for any uncollectible amounts. Contributions and re-takaful balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration 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 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. Receivables disclosed in note 6 fall under the scope of IFRS 4 “Insurance contracts”.

4.4 Re-Takaful/ Reinsurance

Re-takaful/ reinsurance contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its re-takaful/ reinsurance contracts held are recognized as re-takaful/ reinsurance assets. These assets consist of the re-takaful/ reinsurance share of settlement of claims and other receivables such as profit commissions and the re-takaful/ reinsurance share of outstanding claims that are dependent on the expected claims and benefits arising under the related re-takaful/ reinsurance contracts.

Amounts recoverable from or due to re-takaful/ reinsurance companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each re-takaful/ reinsurance contract.

Where the carrying amount of a re-takaful/ reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Allowance for doubtful debt is recognised in the statement of income. On derecognition of a re-takaful/ reinsurance asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

Ceded re-takaful/ reinsurance arrangements do not relieve the Company from its obligations to policyholders.

4.5 Deferred policy acquisition costs (DPAC)

Commissions and other costs directly related to the acquisition and renewal of takaful contracts are deferred and amortised over the terms of the contract to which they relate, similar to contributions earned. Amortisation is recorded in the “policy acquisition cost” in the statement of income. All other indirect costs are recognised as an expense when incurred.

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 assessment is performed of the policies at each reporting date or if circumstances exist which require assessment. If based on assessment, the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require write-off in the statement of income. DPAC is also considered in the liability adequacy test for each reporting period.

4.6 Financial assets and liabilities

Measurement methods

The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, contributions or discounts and fees and points paid or received that are integral to the effective profit rate, such as origination fees.

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial assets and liabilities (continued)

Profit income

Profit income is recognised using the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the net carrying value of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

Initial recognition and measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and profit income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

4.6.1 Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

a. Fair value through statement of income (FVSI);
b. Fair value through other comprehensive income (FVOCI); or
c. Held at amortised cost.

Investment in the mutual funds are classified as FVSI.

Investment in shares are designated as FVOCI.

Investments in sukuks, murabaha deposits, balances with banks, statutory deposits and contribution and retakaful balances receivables are classified as held at amortized cost.

There is no debt instrument which has been classified as FVOCI or FVSI by the Company.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, which is held by the Company as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVSI.

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6.1 Classification and subsequent measurement of financial assets (continued)

Solely payments of principal and profit:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Company considers whether the contractual cash flows are consistent with the financing agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 28.1.1. Profit income from these financial assets is included in 'Special commission income' using the effective profit method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are designated as fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective profit rate method.
- Fair value through statement of income (FVSI): Assets that are held for trading purpose or assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI presented in the statement of income in the period in which it arises.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year ended 2022.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company classifies all equity investments at FVSI, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, transaction costs are made part of the cost at initial recognition and subsequent fair value gains and losses (unrealized) are recognized in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Company's right to receive payments is established.

Gains and losses on equity investments at FVSI (both realized and unrealized) are included in the 'Net gains on investments mandatorily measured at FVSI' line in the statement of income.

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company applies the expected credit losses ('ECL') on its financial assets measured at amortised cost, other than contributions and re-takaful/ reinsurance balances receivable as rights and obligations under insurance contracts are accounted for under IFRS 4 because the policyholder transfers to the insurer significant insurance rather than financial risk, and FVOCI, which are in the scope of IFRS 9 for impairment.

The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 28.1.1 provides more detail of how the expected credit loss allowance is measured.

The Company assesses, at each reporting date, whether there is objective evidence that Contributions and re-takaful / reinsurance balances receivable are impaired. 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 for assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

4.6.3 Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

4.6.4 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities at fair value through statement of income (FVSI): this classification is applied to financial liabilities at FVSI at initial recognition. Gains or losses on financial liabilities designated at FVSI are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in statement of income (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of income.

The Company has unit linked liabilities at FVSI. These pertains to individual Protection and Saving insurance contracts which insures human life events such as death over a long period of time. Insurance premiums are recognized directly as liabilities. These are contractually linked to the fair value of the investments within the policy holders unit linked investments. These liabilities are increased/decreased by change in the unit prices as in the case of unit-linked contracts and decreased by plan holder charges and surrender and maturities. The unit linked liabilities are determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of risk related to the life insurance contracts. These additional provisions are calculated using actuarial techniques and are immaterial and are not a significant portion of the overall unit linked liabilities.

4.6.5 Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Offsetting

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

4.8 Property and equipment

Property and equipment is measured at cost net of accumulated depreciation and accumulated impairment in value if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Expenditure for repair and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised. Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

	Year
Office and electrical equipment	5
Furniture and fixtures	6-7
Motor vehicles	5
Computer hardware and software	3 - 5
Digital transformation	3 - 5

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The residual values, useful lives and methods of depreciation of property, equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.9 Statutory deposit

In accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank (“SAMA”), the Company is required to maintain a deposit in a bank account equal to 10% of the paid up share capital of the Company. This statutory deposit cannot be withdrawn without the consent of SAMA. Statutory deposit is classified as a financial asset and is carried at amortized cost.

4.10 Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of income in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date, together with related claim handling cost whether reported by the insured or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision based on management’s judgment and the Company’s prior experience is maintained for the cost of settling claims Incurred But Not Reported (“IBNR”) at the 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 charged to statement of income.

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

Re-takaful/ reinsurance claims are recognized when the related gross insurance claim is recognised according to the term of the relevant contract.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Salvage and subrogation

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

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

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

4.12 Liability adequacy test

At each reporting date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs, using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests under contribution deficiency reserves.

4.13 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. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

4.14 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat is computed on the Saudi shareholders’ share of equity or net income using the basis defined under the Zakat regulations.

4.15 Payables to SAMA

This represents accrued income on statutory deposit and SAMA levy accrual. The Company is carrying this liability at amortized cost.

4.16 Takaful operations’ surplus payable

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

4.17 Statutory reserves

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

Notes to the financial statements (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition

Contributions and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. The portion of contributions and commissions that will be earned in the future is reported as unearned contributions and commissions, respectively, and is deffered based on the following methods:

4.18.1 Recognition of contribution and commission revenue

Contributions and commission are recorded in the statement of income based on straight line method over the insurance policy coverage period except for long term polices (construction and engineering) and marine cargo. Unearned contributions are calculated on a straight line method over the insurance policy coverage except for:

Last three months from the period in respect of marine cargo.

Pre-defined calculation for Engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower contributions are earned in the first year which gradually increases towards the end of the tenure of the policy; and

Actual number of days for other lines of business.

Unearned contributions represent the portion of contributions 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.

Management fee attributable to shareholders' operations as appearing in note 27.2 includes contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts reinsured, less provision for any anticipated future losses on continuing policies.

4.18.2 Re-takaful/ Reinsurance commission income

Re-takaful/ reinsurance commissions are deferred and amortised on a straight-line basis except for long term policies and marine cargo, over the term of the takaful contracts. Re-takaful/ reinsurance commission income is recognised as the basis of terms agreed with reinsurers which include claim or loss ratios on policies ceded.

4.19 Management fee for administration of takaful operations and attributable to shareholders operations

The Company's by-laws require separate books to be maintained for Takaful and Shareholders' operations. As per the Company's policy, all general and administrative expenses of Takaful operations are charged to Shareholders' operations. The Company in accordance with the Islamic sharia provisions of managing the co-operative insurance operations calculates the management fees in the below manner and pays it in full shortly after the end of the fiscal year.

- The first component of the management fee is calculated based on the net contributions written for the year after adjusting commission income and cost of production for motor and general at 40% and for health at 30% and is limited to the extent of general and administrative expenses charged in the statement of income – shareholders' operations; and
- The other component of the management fee is determined up to 90% of the net surplus if any for the year from takaful operations remaining after computing the first component of management fee. The Company is required to distribute the remaining 10% of the net surplus from Takaful operations to policyholders in accordance with the Insurance Law and Implementation Regulations issued by the SAMA.

4.20 Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when they relate to items where gains or losses are recognized directly in other comprehensive income and the gain or loss is recognised net of the exchange component in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Dividend distribution

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

4.22 Segmental reporting

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

- Medical
- Motor
- Property and casualty
- Protection and savings

Operating segments do not include shareholders' operations of the Company. Income earned from investments is the only revenue generating activity in shareholders operations. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.
Operating segments are reported in a manner consistent with the internal reporting to the Chief Executive Officer. The Chief Executive Officer is the key decision maker and is responsible for allocating resources, assessing performance and making strategic decisions of the operating segments. No inter-segment transactions occurred during the year.

4.23 Seasonality of operations

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

4.24 Leases

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

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 10 years for offices, vehicles and equipments. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Leases (continued)

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

5. CASH AND CASH EQUIVALENTS

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

	Takaful operations	
SAR'000	**December 31, 2022**	December 31, 2021
Bank balances and cash	**341,683**	431,362
Deposits maturing within 3 months from the acquisition date	**175,000**	-
Cash and cash equivalents in the statement of cash flow	**516,683**	431,362
Less : Impairment loss	**(126)**	-
Cash and bank balances, net	**516,557**	431,362
Deposits against letters of guarantee	**61,318**	40,190
Total	**577,875**	471,552

	Shareholders' operations	
SAR'000	**December 31, 2022**	December 31, 2021
Bank balances and cash	**37,784**	23,809
Cash balance with Al Rajhi Capital	**(1,873)**	(1,074)
Cash and cash equivalents in the statement of cash flow	**35,911**	22,735
Cash at banks (statutory deposit income)	**4,709**	4,709
Total	**40,620**	27,444
Total	**618,495**	498,996

Notes to the financial statements (continued)

6. CONTRIBUTIONS AND RE-TAKAFUL / RE-INSURANCE BALANCES RECEIVABLE - NET

Receivables comprise amounts due from the following:

SAR'000	Notes	**December 31, 2022**	December 31, 2021
Policyholders		**326,320**	174,381
Brokers and agents		**246,379**	174,992
Related parties	20	**122,924**	97,335
Receivables from re-takaful / reinsurance		**27,705**	33,565
		723,328	480,273
Provision for doubtful receivables		**(39,378)**	(65,727)
Contributions and re-takaful / reinsurance balances receivable – net		**683,950**	414,546

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

SAR'000	**December 31, 2022**	December 31, 2021
Balance, January 1	**65,727**	126,194
(Reversal) for the year	**(20,846)**	(5,748)
Write-offs	**(5,503)**	(54,719)
Balance, December 31	**39,378**	65,727

Notes to the financial statements (continued)

6. CONTRIBUTIONS AND RE-TAKAFUL/ RE-INSURANCE BALANCES RECEIVABLE - NET (continued)

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

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful/ Reinsurance Receivables							
- Policyholders'	**326,320**	**58,349**	**124,583**	**87,489**	**22,358**	**18,239**	**15,302**
- Brokers and agents	**246,379**	**118,476**	**46,493**	**34,487**	**36,150**	**8,356**	**2,417**
- Due from related parties	**122,924**	**-**	**55,682**	**66,316**	**134**	**369**	**423**
- Receivable from Re-Takaful/ Reinsurance	**27,705**	**-**	**2,209**	**690**	**9,264**	**9,368**	**6,174**
2022	**723,328**	**176,825**	**228,967**	**188,982**	**67,906**	**36,332**	**24,316**

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired		
			Less than 30 days	31 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
Contributions and Re-Takaful/ Reinsurance Receivables							
- Policyholders'	174,381	65,328	70,516	12,705	12,517	5,956	7,359
- Brokers and agents	174,992	65,014	74,136	24,565	4,623	2,323	4,331
- Due from related parties	97,335	26,754	36,541	3,117	66	(803)	31,660
- Receivable from Re-Takaful/ Reinsurance	33,565	-	1,761	16,094	8,476	4,614	2,620
2021	480,273	157,096	182,954	56,481	25,682	12,090	45,970

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.

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

The five largest customers accounts for 46.3% of the premiums receivable as at December 31, 2022 (December 31, 2021: 40.1%).

7. RIGHT -OF-USE ASSETS

The following table presents the right-of-use assets for the Company:

	Offices	Equipments	Total 2022	Total 2021
At the beginning of the year	55,601	132	55,733	43,649
Additions	4,103	-	4,103	21,976
Depreciation	(7,834)	(132)	(7,966)	(9,410)
Disposals	(3,499)	-	(3,499)	(482)
At the end of the year	**48,371**	**-**	**48,371**	55,733

Notes to the financial statements (continued)
8. PROPERTY AND EQUIPMENT

	Office and electrical equipment	Furniture and Fixtures	Motor vehicles	Computer hardware	Computer software	Digital Tranformation	Total 2022	Total 2021
					SAR'000			
Cost:								
At the beginning of the year	2,023	49,949	1,719	2,114	42,760	31,034	129,599	174,087
Additions during the year	124	804	-	4,455	6,107	17,387	28,877	32,556
Assets write off	-	-	-	-	-	(11,072)	(11,072)	(77,044)
At the end of the year	**2,147**	**50,753**	**1,719**	**6,569**	**48,867**	**37,349**	**147,404**	129,599
Accumulated depreciation:								
At the beginning of the year	976	8,767	1,719	262	33,865	794	46,383	73,789
Charge for the year (note 18)	348	7,569	-	991	3,075	11,923	23,906	13,959
Write off	-	-	-	-	-	(3,926)	(3,926)	(41,365)
At the end of the year	**1,324**	**16,336**	**1,719**	**1,253**	**36,940**	**8,791**	**66,363**	46,383
Net book value as at								
December 31, 2022	**823**	**34,417**	**-**	**5,316**	**11,927**	**28,558**	**81,041**	
December 31, 2021	1,047	41,182	-	1,852	8,895	30,240		83,216

9. STATUTORY DEPOSIT

Statutory deposit amounting to SAR 40 million (December 2021: SAR 40 million) kept with a local bank, represents 10% of the paid up share capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law issued by the Saudi Central Bank ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA. Under ECL method the Company charged an impairment loss amounting to SAR 0.03 million (2021: SAR 0.03 million)

Notes to the financial statements (continued)
10. INVESTMENTS

Investments are classified as follows:

SAR'000	Notes	Takaful operations December 31, 2022	Takaful operations December 31, 2021
- Investments mandatorily measured at FVSI (mutual funds)*	10 (a)	**422,591**	431,121
- Investments designated as FVOCI (equity shares)	10 (b)	**80,404**	33,893
- Investments held at amortised cost (deposits and sukuks)	10 (c)	**1,467,312**	1,519,723
Total		**1,970,307**	1,984,737

***** The above investments include Unit linked investments of SAR 268.50 mn. (December 31, 2021: SAR 214.18 mn).

SAR'000		Shareholders' operations December 31, 2022	Shareholders' operations December 31, 2021
- Investments mandatorily measured at FVSI (mutual funds)	10 (a)	**45,163**	95,783
- Investments designated as FVOCI (equity shares)	10 (b)	**349,522**	401,391
- Investments held at amortised cost (deposits and sukuks)	10 (c)	**730,424**	369,843
Total		**1,125,109**	867,017

Movement in the investment balance is as follows:

a) Investments mandatorily measured at FVSI (mutual funds)

SAR'000	Takaful operations December 31, 2022	Takaful operations December 31, 2021
At the beginning of the year	**431,121**	461,621
Purchased during the year	**1,696,311**	1,546,008
Sold during the year	**(1,720,315)**	(1,603,023)
Net change in fair values during the year	**15,474**	26,515
At the end of the year	**422,591**	431,121

SAR'000	Shareholders' operations December 31, 2022	Shareholders' operations December 31, 2021
At the beginning of the year	**95,783**	72,098
Purchased during the year	**469,500**	807,162
Sold during the year	**(520,500)**	(783,886)
Net change in fair values during the year	**380**	409
At the end of the year	**45,163**	95,783
Total	**467,754**	526,904

Notes to the financial statements (continued)

10. INVESTMENTS (continued)

b) Investments designated as FVOCI (equity shares)

	Takaful operations	
SAR'000	**December 31, 2022**	December 31, 2021
Opening balance	**33,893**	30,107
Additions / Transfers	**68,453**	-
Changes in fair value of investments	**(21,942)**	3,786
Closing balance	**80,404**	33,893

	Shareholders' operations	
SAR'000	**December 31, 2022**	December 31, 2021
At the beginning of the year		
Balance of equity shares portfolio with Al Rajhi Capital	**393,849**	288,799
Equity - unlisted shares	**7,542**	7,542
Total at the beginning of the year	**401,391**	296,341
Movement during the year		
` Purchased during the year	**-**	65,023
Sold during the year	**-**	(15,326)
Net change in fair values during the year	**(51,869)**	55,353
Closing balance of equity shares portfolio	**349,522**	401,391
Portfolio balance with Al Rajhi Capital at the end of the year	**341,980**	393,849
Equity - unlisted shares (NAJM)	**7,542**	7,542
At the end of the year	**349,522**	401,391
Total	**429,926**	435,284

10. INVESTMENTS (continued)

c) Investments held at amortised cost (deposits and sukuks)

Investments in Murabaha deposits and Sukuks are classified as investments measured at amortised cost. The Company's business model for these investments is to hold to collect the contractual cash flows. The cash flows of Murabaha deposits and Sukuks represent solely payments of principal and profit on the principal outstanding.

The movement during the year is set out below:

	SAR' 000	
	Takaful operations	
SAR'000	**December 31, 2022**	December 31, 2021
At the beginning of the year		
Murabaha deposits	**1,100,000**	1,040,000
Sukuk	**420,630**	189,834
Purchases	**1,605,590**	492,022
Disposals / maturities	**(1,657,862)**	(201,226)
	1,468,358	1,520,630
Less: Impairment loss	**(1,046)**	(907)
At the end of the year, net	**1,467,312**	1,519,723

	SAR' 000	
	Shareholders' operations	
SAR'000	**December 31, 2022**	December 31, 2021
At the beginning of the year		
Murabaha deposits	**100,000**	100,000
Sukuk	**269,966**	50,075
Purchases	**785,659**	339,965
Disposals / maturities	**(425,065)**	(120,074)
	730,560	369,966
Less: Impairment loss	**(136)**	(123)
At the end of the year, net	**730,424**	369,843
Total	**2,197,736**	1,889,566

10. INVESTMENTS (continued)

d) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below also represents the Company's maximum exposure to credit risk on these assets.

i) Takaful operations

	December 31, 2022				31-Dec-21
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**578,001**	**-**	**-**	**578,001**	471,552
Investments held at amortised cost	**1,468,358**	**-**	**-**	**1,468,358**	1,520,630
Gross carrying amount	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Loss allowance	**(1,172)**	**-**	**-**	**(1,172)**	(907)
Carrying amount	**2,045,187**	**-**	**-**	**2,045,187**	1,991,275

	December 31, 2022				31-Dec-21
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Gross carrying amount	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Loss allowance	**(1,172)**	**-**	**-**	**(1,172)**	(907)
Carrying amount	**2,045,187**	**-**	**-**	**2,045,187**	1,991,275

The Company's exposures to credit risk are not collateralized.

Investment grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

Notes to the financial statements (continued)

10. INVESTMENTS (continued)

d) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) Shareholders' operations

	December 31, 2022				31-Dec-21
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Bank balances	**40,620**	**-**	**-**	**40,620**	27,444
Investments held at amortised cost	**730,560**	**-**	**-**	**730,560**	369,966
Statutory deposit	**-**	**-**	**-**	**-**	40,000
Gross carrying amount	**771,180**	**-**	**-**	**771,180**	437,410
Loss allowance	**(164)**	**-**	**-**	**(164)**	(151)
Carrying amount	**771,016**	**-**	**-**	**771,016**	437,259

	December 31, 2022				31-Dec-21
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Investment grade	**771,180**	**-**	**-**	**771,180**	437,410
Non investment grade	-	-	-	-	-
Gross carrying amount	**771,180**	**-**	**-**	**771,180**	437,410
Loss allowance	**(164)**	**-**	**-**	**(164)**	(151)
Carrying amount	**771,016**	**-**	**-**	**771,016**	437,259

The Company's exposures to credit risk are not collateralized.

Investment Grade includes those investments having credit exposure equivalent to Standard and Poor's rating of AAA to BBB. Non investment grade represents un-rated exposures.

Notes to the financial statements (continued)
10. INVESTMENTS (continued)

e) Loss allowance

The loss allowance recognised during the year and the change in the loss allowance between the beginning and the end of the year is given below.

i) Takaful operations:

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2022	**907**	-	-	**907**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**1,044**	-	-	**1,044**
Net re-measurement of loss allowance	**(779)**	-	-	**(779)**
Financial assets derecognised during the year		-	-	-
Write-offs	-	-	-	-
Total loss allowance for the year	**265**	-	-	**265**
Loss allowance as at December 31, 2022	**1,172**	-	-	**1,172**
	-			

ii) Shareholders' operations:

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2022	**151**	-	-	**151**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**90**	-	-	**90**
Net re-measurement of loss allowance	**(77)**	-	-	**(77)**
Financial assets derecognised during the year		-	-	-
Write-offs	-	-	-	-
Total loss allowance for the year	**13**	-	-	**13**
Loss allowance as at December 31, 2022	**164**	-	-	**164**

Notes to the financial statements (continued)

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves

a) Net outstanding claims and reserves comprise of the following:

SAR'000	December 31, 2022	December 31, 2021
Outstanding claims	**770,444**	599,732
Less: Realizable value of salvage and subrogation	**(645,294)**	(128,450)
	125,150	471,282
Claims incurred but not reported	**1,294,170**	881,625
Contribution deficiency reserve	**52,587**	64,301
	1,471,907	1,417,208
Unit linked liabilities at FVSI	**275,118**	217,611
	1,747,025	1,634,819
Less:		
Re-takaful / reinsurance share of outstanding claims	**186,097**	207,122
Re-takaful / reinsurance share of claims incurred but not reported	**93,146**	60,387
	279,243	267,509
Net outstanding claims and reserves	**1,467,782**	1,367,310

b) Claim development:

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 reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision for 2022:

Accident year	***2018 & prior years SAR'000***	***2019 SAR'000***	***2020 SAR'000***	***2021 SAR'000***	***2022 SAR'000***	***Total SAR'000***
Estimate of ultimate claims cost at end of accident year	**8,204,882**	**2,254,836**	**1,594,506**	**2,056,092**	**2,255,934**	**2,255,934**
One year later	**8,267,636**	**2,209,211**	**1,583,024**	**1,943,257**	**-**	**1,943,257**
Two years later	**8,192,244**	**2,181,729**	**1,495,876**	**-**	**-**	**1,495,876**
Three years later	**8,117,059**	**2,149,779**	**-**	**-**	**-**	**2,149,779**
Four years later	**8,109,549**	**-**	**-**	**-**	**-**	**8,109,549**
Current estimate of cumulative claims incurred	**8,109,549**	**2,149,779**	**1,495,876**	**1,943,257**	**2,255,934**	**15,954,396**
Cumulative payments to date	**7,912,148**	**2,001,849**	**1,359,005**	**1,739,484**	**1,470,003**	**14,482,489**
Total gross insurance outstanding claims provision per the statement of financial position	**197,402**	**147,930**	**136,872**	**203,773**	**785,931**	**1,471,907**

Notes to the financial statements (continued)

11. TECHNICAL RESERVES

11.1 Net outstanding claims and reserves (Continued)

b) Claim development: (continued)

Gross insurance contract outstanding claims provision for 2021:

Accident year	*2017 & prior years SAR'000*	*2018 SAR'000*	*2019 SAR'000*	*2020 SAR'000*	*2021 SAR'000*	*Total SAR'000*
Estimate of ultimate claims cost at end of accident year	5,620,561	2,589,445	2,263,701	1,593,173	2,201,681	2,201,681
One year later	5,686,469	2,561,928	2,209,419	1,580,808	-	1,580,808
Two years later	5,614,361	2,522,616	2,200,179	-	-	2,200,179
Three years later	5,592,767	2,488,779	-	-	-	2,488,779
Four years later	5,618,147	-	-	-	-	5,618,147
Current estimate of cumulative claims incurred	5,618,147	2,488,779	2,200,179	1,580,808	2,201,681	14,089,594
Cumulative payments to date	5,420,827	2,387,094	2,037,995	1,371,261	1,455,209	12,672,386
Total gross insurance outstanding claims provision per the statement of financial position	197,320	101,685	162,184	209,547	746,472	1,417,208

11.2 Movement in unearned contributions

Movement in unearned contributions comprise of the following:

	Year ended December 31, 2022			
SAR'000	**Gross**	**Re-takaful (Reinsurance)**	**XOL**	**Net**
Balance at the beginning of the year	**1,168,466**	**(227,284)**	**-**	**941,182**
Contribution written during the year	**3,470,070**	**(671,060)**	**(13,003)**	**2,786,007**
Contribution earned during the year	**(3,034,753)**	**577,920**	**13,003**	**(2,443,830)**
Balance at the end of the year	**1,603,783**	**(320,424)**	**-**	**1,283,359**

	Year ended December 31, 2021			
SAR'000	Gross	Re-takaful (Reinsurance)	XOL	Net
Balance at the beginning of the year	1,204,917	(210,423)		994,494
Contribution written during the year	2,759,590	(541,156)	(10,707)	2,207,727
Contribution earned during the year	(2,796,041)	524,295	10,707	(2,261,039)
Balance at the end of the year	1,168,466	(227,284)	-	941,182

Notes to the financial statements (continued)

11. TECHNICAL RESERVES (Continued)

11.3 Movement in deferred policy acquisition costs

SAR '000	**December 31, 2022**	December 31, 2021
Balance at the beginning of the year	**109,940**	87,591
Incurred during the year	**396,578**	213,375
Amortized during the year	**(341,885)**	(191,026)
Balance at the end of the year	**164,633**	109,940

11.4 Movement in unearned Re-takaful commission income

SAR '000	**December 31, 2022**	December 31, 2021
Balance at the beginning of the year	**20,457**	14,902
Incurred during the year	**47,838**	41,479
Amortized during the year	**(39,515)**	(35,924)
Balance at the end of the year	**28,780**	20,457

12. COMMITMENTS AND CONTIGENCIES

a) The Company’s commitments and contingencies are as follows:

SAR’000	**December 31, 2022**	December 31, 2021
Letters of guarantee	**61,318**	40,190
Total	**61,318**	40,190

b) The Company enters into takaful contracts and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all the pending and threatened legal proceedings, management does not believe that any such proceedings (including litigation) that are in progress at reporting date will have a material effect on its results and financial position, however management has made provisions to cover any eventualities.

Notes to the financial statements (continued)

13. PREPAYMENTS AND OTHER ASSETS

SAR '000	**December 31, 2022**	December 31, 2021
Accrued investment income	**36,972**	34,973
Advances to network hospitals	**432**	20,278
Prepayments to staff medical policy	**12,806**	10,331
Prepayments to workshops	**5,462**	7,669
Prepayments to ZATCA and others	**14,311**	6,258
Advance to employees	**4,384**	3,931
Prepayments to computer software	**9,889**	2,223
Other assets	**5,299**	3,048
	89,555	88,711

14. PAYABLE, ACCRUALS AND OTHER LIABILITIES

SAR '000	**December 31, 2022**	December 31, 2021
Payables to policyholders against claims	**99,721**	13,254
Accrued expenses	**82,913**	74,420
Marketing representative commissions	**12,558**	9,235
Provision for leave encashment	**3,268**	2,012
Payable to ZATCA	**39,665**	43,041
Other liabilities	**39,481**	38,246
	277,606	180,208

15. LEASE LIABILITIES

SAR '000	**December 31, 2022**	December 31, 2021
As at 1 January	**54,482**	42,714
Additions	**4,103**	21,494
Finance cost	**2,639**	2,589
Lease payments	**(12,002)**	(12,315)
As at 31 December	**49,222**	54,482

Notes to the financial statements (continued)

16. END OF SERVICE BENEFITS (EOSB)

16.1 General description

The Company operates an end of service benefit scheme for its employees based on the prevailing Saudi Labor Laws. The liability in respect of the scheme is estimated by a qualified actuary in accordance with International Accounting Standard 19 - Employee Benefits, using "Projected Unit Credit Method".

16.2 Movement of defined benefit obligation

	December 31, 2022	December 31, 2021
	SAR'000	
Opening balance	**24,635**	27,680
Charge to statement of income	**4,673**	4,853
Charge to statement of comprehensive income	**(1,904)**	(425)
Payment of benefits during the year	**(4,592)**	(7,473)
Closing balance	**22,812**	24,635

	December 31, 2022	December 31, 2021
	SAR'000	
Present value of defined benefit obligation as at January 1	**24,635**	27,680
Current service costs	**3,533**	4,203
Financial costs	**1,140**	650
Remeasurement gain from experience adjustments	**(1,904)**	(425)
Payment of benefits during the year	**(4,592)**	(7,473)
Present value of defined benefit obligation as at December 31	**22,812**	24,635

16.3 Principal actuarial assumptions

The following range of significant actuarial assumptions were used by the Company for the valuation of post-employment benefit liability:

Basic actuarial assumptions as at:	**December 31, 2022**	December 31, 2021
Valuation discount rate	**4.00%**	3.00%
Expected rate of increase in salary level across different age	**4.00%**	3.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity analysis

Reasonably possible changes as to one of the acuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	December 31, 2022	
	SAR'000	
	Increase	**Decrease**
Discount rate (1.0% movement)	**21,778**	**23,949**
Future salary growth (1.0% movement)	**23,937**	**21,770**

	December 31, 2021	
	SAR'000	
	Increase	Decrease
Discount rate (1.0% movement)	23,122	26,290
Future salary growth (1.0% movement)	26,267	23,123

Notes to the financial statements (continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

a. Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

Notes to the financial statements (continued)
17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2022					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	**467,754**	**467,754**	**-**	**-**	**467,754**
- Investments designated as FVOCI – Quoted ecurities	**422,384**	**422,384**	**-**	**-**	**422,384**
- Investments designated as FVOCI – Unquoted securities	**7,542**	**-**	**-**	**7,542**	**7,542**
	897,680	**890,138**	**-**	**7,542**	**897,680**
Financial assets not measured at fair value					
- Cash and cash equivalents	**618,495**	**-**	**-**	**-**	**618,495**
- Investments held at amortised cost	**2,197,736**	**-**	**-**	**-**	**2,197,736**
- Statutory deposit	**39,971**	**-**	**-**	**-**	**39,971**
- Other assets	**38,183**	**-**	**-**	**-**	**38,183**
	2,894,385	**-**	**-**	**-**	**2,894,385**

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets measured at fair value					
- Investments mandatorily measured at FVSI	458,232	458,232	68,672	-	526,904
- Investments designated as FVOCI – Quoted securities	427,742	427,742	-	-	427,742
- Investments designated as FVOCI – Unquoted securities	7,542	-	-	7,542	7,542
	893,516	885,974	68,672	7,542	962,188
Financial assets not measured at fair value					
- Cash and cash equivalents	498,996	-	-	-	498,996
- Investments held at amortised cost	1,889,566	-	-	-	1,889,566
- Statutory deposits at amortised cost	39,971	-	-	-	39,971
- Other assets	26,632	-	-	-	26,632
	2,455,165	-	-	-	2,455,165

The fair values of the financial assets not measured at fair value are not materially different from their carrying values.

Notes to the financial statements (continued)

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

a. Carrying amounts and fair value (continued)

		Fair value			
SAR'000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2022					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	**275,118**	**275,118**	**-**	**-**	**275,118**
	275,118	**275,118**	**-**	**-**	**275,118**

		Fair value			
SAR'000s	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial liabilities measured at fair value					
- Unit linked liabilities at FVSI	217,611	217,611	-	-	217,611
	217,611	217,611	-	-	217,611

b. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Shareholders' operations

SAR'000s	**Financial assets at FVOCI – Unquoted securities**
Balance at January 1, 2022	**7,542**
Balance at December 31, 2022	**7,542**

Notes to the financial statements (continued)
17. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

b. Level 3 fair values (continued)

Reconciliation of Level 3 fair values

Shareholders' operations

SAR'000s	Financial assets at FVOCI – Unquoted securities
Balance at January 1, 2021	7,542
Balance at December 31, 2021	7,542

18. GENERAL AND ADMINISTRATIVE EXPENSES

	31-Dec-22	31-Dec-21
	SAR'000	
Employee costs	**152,227**	169,954
Office expenses	**16,871**	19,154
Depreciation	**31,051**	49,640
Legal and professional fees	**12,340**	13,857
Information technology expenses	**32,071**	26,304
Advertising and marketing expenses	**2,820**	725
Communication expenses	**2,286**	1,659
Travel and lodging expenses	**1,197**	1,332
Others	**8,778**	7,280
	259,641	289,905

Notes to the financial statements (continued)

19. OPERATING SEGMENTS

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment surplus or deficit since December 31, 2021.

Segment assets do not include takaful operations' bank balances and cash, net contributions receivable, investments etc., accordingly, they are included in unallocated assets. Segment liabilities do not include takaful operations' payables accruals and other liabilities and re-takaful / reinsurance balances payable etc., accordingly, they are included in unallocated liabilities.

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at December 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for period ended, are as follows:

For the year ended December 31, 2022

Customers' category	**Medical**	**Motor**	**Property & casualty**	**Protection & Savings**	**Total**
			SAR'000		
GROSS CONTRIBUTION WRITTEN					
Retail	**62,867**	**818,387**	**11,637**	**148,605**	**1,041,496**
Very small	**4,696**	**71,597**	**-**	**-**	**76,293**
Small	**11,800**	**67,669**	**-**	**-**	**79,469**
Medium	**31,759**	**70,747**	**124**	**-**	**102,630**
Corporate	**555,201**	**694,198**	**543,906**	**376,877**	**2,170,182**
TOTAL GROSS CONTRIBUTION WRITTEN	**666,323**	**1,722,598**	**555,667**	**525,482**	**3,470,070**

For the year ended December 31, 2021

Customers' category	Medical	Motor	Property & casualty	Protection & Savings	Total
			SAR'000		
GROSS CONTRIBUTION WRITTEN					
Retail	42,051	745,566	11,292	103,801	902,710
Very small	7,410	-	-	-	7,410
Small	31,521	132,933	959	-	165,413
Medium	44,967	68,808	8,251	-	122,026
Corporate	225,641	710,393	418,371	207,626	1,562,031
TOTAL GROSS CONTRIBUTION WRITTEN	351,590	1,657,700	438,873	311,427	2,759,590

Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

As at December 31, 2022

Operating segments	Medical	Motor	Property & Casualty	Protection & Savings	Total - Takaful operations	Shareholders' operations	Total
	Takaful operations						
	SAR'000						
Assets:							
Cash and cash equivalents	-	-	-	-	577,875	40,620	618,495
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	683,950	-	683,950
Re-takaful / reinsurance share of unearned contributions	-	2,925	303,770	13,729	320,424	-	320,424
Re-takaful / reinsurance share of outstanding claims	-	11,145	111,486	63,466	186,097	-	186,097
Re-takaful / reinsurance share of claims incurred but not reported	-	-	48,596	44,550	93,146	-	93,146
Deferred policy acquisition costs	16,284	132,568	13,532	2,249	164,633	-	164,633
Investments mandatorily measured at FVSI	-	-	-	-	422,591	45,163	467,754
Investments designated as FVOCI	-	-	-	-	80,404	349,522	429,926
Investments held at amortised cost	-	-	-	-	1,467,312	730,424	2,197,736
Right-of-use assets	-	-	-	-	-	48,371	48,371
Unallocated assets	-	-	-	-	(60,712)	276,350	215,638
Total assets	16,284	146,638	477,384	123,994	3,935,720	1,490,450	5,426,170
Liabilities, accumulated surplus & equity							
Unearned contributions	323,973	941,362	318,837	19,613	1,603,784	-	1,603,784
Unearned re-takaful / reinsurance commission	-	16	28,764	-	28,780	-	28,780
Gross outstanding claims	56,232	(138,674)	118,496	89,096	125,150	-	125,150
Claims incurred but not reported	207,468	933,041	65,840	87,821	1,294,170	-	1,294,170
Contribution deficiency reserve	8,766	43,725	96	-	52,587	-	52,587
Lease obligations	-	-	-	-	-	49,222	49,222
Unallocated liabilities, equity and surplus	-	-	-	-	831,249	1,441,228	2,272,477
Total liabilities, accumulated surplus and equity	596,439	1,779,469	532,033	196,530	3,935,720	1,490,450	5,426,170

Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

As at December 31, 2021

Operating segments	Takaful operations: Medical	Motor	Property & casualty	Protection & Savings	Total - Takaful operations	Shareholders' operations	Total
	SAR'000						
Assets:							
Cash and cash equivalents	-	-	-	-	471,552	27,444	498,996
Contributions and re-takaful / reinsurance balances receivable – net	-	-	-	-	414,546	-	414,546
Re-takaful / reinsurance share of unearned contributions	-	5,473	205,789	16,022	227,284	-	227,284
Re-takaful / reinsurance share of outstanding claims	-	11,001	99,688	96,433	207,122	-	207,122
Re-takaful / reinsurance share of claims incurred but not reported	-	2,325	24,484	33,578	60,387	-	60,387
Deferred policy acquisition costs	8,691	93,134	7,350	765	109,940	-	109,940
Investments mandatorily measured at FVSI	-	-	-	-	431,121	95,783	526,904
Investments designated as FVOCI	-	-	-	-	33,893	401,391	435,284
Investments held at amortised cost	-	-	-	-	1,519,723	369,843	1,889,566
Right-of-use assets	-	-	-	-	-	55,732	55,732
Unallocated assets	-	-	-	-	(293,609)	509,166	215,557
Total assets	8,691	111,933	337,311	146,798	3,181,959	1,459,359	4,641,318
Liabilities, accumulated surplus & equity							
Unearned contributions	189,655	730,161	224,879	23,771	1,168,466	-	1,168,466
Unearned re-takaful / reinsurance commission	-	45	20,412	-	20,457	-	20,457
Gross outstanding claims	10,905	229,640	106,641	124,096	471,282	-	471,282
Claims incurred but not reported	128,927	673,006	34,136	45,556	881,625	-	881,625
Contribution deficiency reserve	15,957	46,385	1,230	729	64,301	-	64,301
Lease obligations	-	-	-	-	-	54,482	54,482
Unallocated liabilities, equity and surplus	-	-	-	-	575,828	1,404,877	1,980,705
Total liabilities, accumulated surplus and equity	345,444	1,679,237	387,298	194,152	3,181,959	1,459,359	4,641,318

Notes to the financial statements (continued)

19. OPERATING SEGMENTS (continued)

	For the year ended December 31, 2022				
Operating segments	**Medical**	**Motor**	**Property & Casualty**	**Protection & Savings**	**Total**
			SAR'000		
REVENUES					
Gross contributions written	666,323	1,722,598	555,667	525,482	3,470,070
Re-takaful / reinsurance contributions ceded	-	(2,329)	(513,379)	(155,352)	(671,060)
Excess of loss expenses (XOL)	-	(7,372)	(5,631)	-	(13,003)
Net contributions written	666,323	1,712,897	36,657	370,130	2,786,007
Changes in unearned contributions, net	(134,318)	(213,749)	4,024	1,865	(342,178)
Net contributions earned	532,005	1,499,148	40,681	371,995	2,443,829
Re-takaful / reinsurance commission income	-	2,029	37,486	-	39,515
Other underwriting income	(3)	3,558	88	2,691	6,334
TOTAL REVENUES	532,002	1,504,735	78,255	374,686	2,489,678
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(335,136)	(1,302,773)	(37,734)	(189,159)	(1,864,802)
Surrender and maturities	-	-	-	(45,173)	(45,173)
Expenses incurred related to claims	(5,134)	(31,460)	(189)	-	(36,783)
Re-takaful / re-insurance share of claims paid	-	2,894	35,449	132,823	171,166
Net claims and other benefits paid	(340,270)	(1,331,339)	(2,474)	(101,509)	(1,775,592)
Changes in outstanding claims, net	(45,327)	368,458	(57)	2,033	325,107
Changes in incurred but not reported (IBNR) claims, net	(78,541)	(262,360)	(7,592)	(31,293)	(379,786)
Contribution deficiency reserve	7,191	2,660	1,134	729	11,714
Net claims and other benefits incurred	(456,947)	(1,222,581)	(8,989)	(130,040)	(1,818,557)
Change in unit linked liabilities at FVSI, net	-	-	-	(68,173)	(68,173)
Policy acquisition costs	(25,899)	(183,204)	(13,633)	(119,148)	(341,884)
Other underwriting expenses	(5,580)	(6,331)	1,374	(6,769)	(17,306)
TOTAL UNDERWRITING COSTS AND EXPENSES	(488,426)	(1,412,116)	(21,248)	(324,130)	(2,245,920)
NET UNDERWRITING INCOME	43,576	92,619	57,007	50,556	243,758
OTHER OPERATING EXPENSES					
Reversal of allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					20,846
General and administrative expenses					(259,641)
Special commission income					60,711
Net gains on investments mandatorily measured at FVSI					16,570
Dividend income					13,029
Reversal of impairment on financial assets					(242)
Other income					12,726
NET INCOME FOR THE YEAR BEFORE ZAKAT					107,757

Notes to the financial statements (continued)
19. OPERATING SEGMENTS (continued)

For the year ended December 31, 2021

Operating segments	Medical	Motor	Property & Casualty	Protection & Savings	Total
			SAR'000		
REVENUES					
Gross contributions written	351,590	1,657,700	438,873	311,427	2,759,590
Re-takaful / reinsurance contributions ceded	-	(8,136)	(396,822)	(136,198)	(541,156)
Excess of loss expenses (XOL)	-	(6,490)	(4,217)	-	(10,707)
Net contributions written	351,590	1,643,074	37,834	175,229	2,207,727
Changes in unearned contributions, net	(72,867)	134,935	(2,590)	(6,166)	53,312
Net contributions earned	278,723	1,778,009	35,244	169,063	2,261,039
Re-takaful / reinsurance commission income	-	925	34,999	-	35,924
Other underwriting income	(10)	2,798	77	3,525	6,390
TOTAL REVENUES	278,713	1,781,732	70,320	172,588	2,303,353
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid and loss adjustment expenses	(233,651)	(1,394,506)	(17,877)	(139,431)	(1,785,465)
Surrender and maturities	-	-	-	(28,810)	(28,810)
Expenses incurred related to claims	(1,840)	(25,744)	-	-	(27,584)
Re-takaful / reinsurance share of claims paid	-	4,258	15,940	105,856	126,054
Net claims and other benefits paid	(235,491)	(1,415,992)	(1,937)	(62,385)	(1,715,805)
Changes in outstanding claims, net	(7,986)	(10,720)	(1,826)	(20,568)	(41,100)
Changes in incurred but not reported (IBNR) claims, net	(33,282)	67,978	(4,433)	(6,164)	24,099
Change in contribution deficiency reserve	5,646	6,399	(665)	(729)	10,651
Net claims and other benefits incurred	(271,113)	(1,352,335)	(8,861)	(89,846)	(1,722,155)
Change in unit linked liabilities at FVSI	-	-	-	(50,852)	(50,852)
Policy acquisition costs	(20,239)	(147,899)	(13,100)	(9,789)	(191,027)
Other underwriting expenses	(584)	(12,615)	2,532	(2,142)	(12,809)
TOTAL UNDERWRITING COSTS AND EXPENSES	(291,936)	(1,512,849)	(19,429)	(152,629)	(1,976,843)
NET UNDERWRITING INCOME	(13,223)	268,883	50,891	19,959	326,510
OTHER OPERATING EXPENSES					
Reversal of allowance for doubtful debts - contribution and re-takaful / reinsurance balances receivable					5,748
General and administrative expenses					(289,905)
Special commission income					51,033
Net gains on investments mandatorily measured at FVSI					17,568
Dividend income					13,509
Impairment loss on financial assets					10
Other income					1,028
NET INCOME FOR THE YEAR BEFORE ZAKAT					125,501

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances:

	Transactions for the year ended		**Balance receivable / (payable) as at**	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
	SAR'000			
Major shareholders				
Gross contribution written	**718,691**	709,180	**121,709**	95,806
Claims paid	**497,413**	498,565	**-**	-
Claims incurred and notified during the period	**587,154**	566,423	**(351,061)**	(101,720)
Reimbursement from related party	-	-	-	-
Bank Balance	-	-	**294,200**	255,485
Investment in shares of Al Rajhi Banking and Investment Corporation	-	-	**54,793**	64,575
Entities controlled, jointly controlled or significantly influenced by related parties				
Gross contribution written	**23,318**	23,268	**1,215**	1,529
Claims paid	**2,633**	2,633	**-**	-
Claims incurred and notified during the period	**19,300**	11,944	**(26,345)**	(9,679)
Investments managed by affiliates	**10,396**	5,579	**302,591**	292,003
Income received from sale of investment in Al Rajhi Capital commodity fund	**10,082**	5,380	-	-
Investment management fee paid to Al Rajhi Capital	**2,694**	3,352	-	-

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

	For the year ended	
	December 31, 2022	December 31, 2021
	SAR'000	
Salaries and other allowances	**5,711**	5,643
End of service benefits	**418**	2,093
	6,129	7,736
Board remuneration	**2,347**	1,580
Shariah committee remuneration	**280**	250

Notes to the financial statements (continued)

21. ZAKAT AND INCOME TAX

A summary of Movement in the Zakat and income tax accrued during the year ended 31 December 2022 and the year ended 31 December 2021 are as follows:

a) The zakat charge for the year has been computed as follows:

	December 31, 2022	December 31, 2021
	SAR'000	
Equity Opening	**1,270,416**	1,112,381
Opening allowances and other adjustments	**90,362**	153,874
Book value of long term assets	**(1,249,204)**	(667,337)
	111,574	598,918
Zakatable income for the year	**287,650**	127,795
Zakat base	**399,224**	726,713
Zakat @ 2.5%	**10,250**	18,658
Zakat Provision	**-**	5,500
Zakat refund for Saudi Government Sukuk	**-**	(7,246)
	10,250	**16,912**

The differences between the income as per the financial statements and zakatable income (income subject to zakat which is computed based on zakat rules) for the year used for zakat base is mainly due to provisions, which are not allowed in the calculation of zakatable income.

	December 31, 2022	December 31, 2021
	SAR'000	
Zakat charge for the year	**10,250**	**24,158**
Zakat refund for Saudi Government Sukuk	**-**	**(7,246)**
Zakat charge for the year net of refunds	**10,250**	**16,912**

b) Movements in zakat payable are as follows:

	December 31, 2022	December 31, 2021
	SR '000	
Balance at beginning of the year	**51,341**	47,904
Provided during the year	**10,250**	24,158
Payments during the year	**(11,666)**	(20,721)
Balance at end of the year	**49,925**	51,341

Shareholdings

Following are the shareholding structure of the Company as on:

	December 31, 2022	December 31, 2021
Shareholding subject to Zakat	**100%**	100%

Status of assessments

The Company had filed zakat and income tax returns with the Zakat, Tax and Customs Authority ("ZATCA") for the years from 2010 to 2021.

ZATCA has issued assesments for the years 2015 to 2018, demanding an additional Zakat as assessed by them amounting to SAR 11.73 million pertains to these years. The Company paid an amount of SAR 1.42 million and has filed objections for SAR 10.31 million with the authority. Further ZATCA issued initial assesment for the years 2019 & 2020, demanding additional assessed amount of SAR 10.31 million and SAR 12.1 million respectively. The company paid 10% of the assessed amounts and appealed against the additonal assessed amounts in full for those years.

Based on the appeals and as per the update from tax consultant, the Company does not expect any negative outcome from the additional assessed amounts.

Notes to the financial statements (continued)

22. UNIT LINKED LIABILITIES AT FVSI

The movement during the year in financial liabilities at fair value through statement of income is set out below:

	December 31, 2022	December 31, 2021
	SAR'000	
At the beginning of the year	**217,611**	141,093
Net changes in reserve during the year	**45,027**	50,860
Net change in fair values during the year	**12,480**	25,658
At the end of the year	**275,118**	217,611

23. SHARE CAPITAL

The authorized, issued and paid up capital of the Company was SAR 400 million at December 31, 2022 (December 31, 2021: SAR 400 million) consisting of 40 million shares at December 31, 2022 (December 31, 2021: 40 million shares) of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat.

	31-Dec-22		
	Authorized and issued		**Paid up**
	No. of shares	**SAR'000**	
Al Rajhi Insurance Co. Ltd. (Bahrain)	**10,600,000**	**106,000**	**106,000**
Al Rajhi Banking and Investment Corporation	**14,000,000**	**140,000**	**140,000**
Others	**15,400,000**	**154,000**	**154,000**
	40,000,000	**400,000**	**400,000**

	31-Dec-21		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Al Rajhi Insurance Co. Ltd. (Bahrain)	10,600,000	106,000	106,000
Al Rajhi Banking and Investment Corporation	9,000,000	90,000	90,000
Others	20,400,000	204,000	204,000
	40,000,000	400,000	400,000

24. CAPITAL MANAGEMENT

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

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

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. 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 maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

Minimum Capital Requirement of SAR 200 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 December 31, 2022 consists of paid-up share capital of SAR 400 million, statutory reserves of SAR 196.1 million and retained earnings of SAR 667.2 million (December 31, 2021: paid-up share capital of SAR 400 million, statutory reserves of SAR 178.2 million and retained earnings of SAR 595.5 million.) in the statement of financial position

25. EARNINGS PER SHARE ("EPS")

Earnings per share for the year ended December 31, 2022 and year ended December 31, 2021 is calculated by dividing the net income for the year attributable to the equity holders by 40 million shares. There were no dilutive potential shares in issue as at December 31, 2022 and December 31, 2021.

26. TAKAFUL OPERATIONS' SURPLUS PAYABLE

	December 31, 2022	December 31, 2021
	SAR'000	SAR'000
Opening surplus distribution payable at beginning of the yea	**48,628**	48,316
Total income attributed to the insurance operations during the year	**7,889**	10,118
Surplus paid to policy holders	**(19,199)**	(9,806)
Closing surplus distribution payable at the end of the year	**37,318**	48,628

Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION

27.1 Statement of financial position

	SAR '000					
	31-Dec-22			31-Dec-21		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
ASSETS:						
Cash and cash equivalents	**577,875**	**40,620**	**618,495**	471,552	27,444	498,996
Contributions and re-takaful / reinsurance balances receivable - net	**683,950**	**-**	**683,950**	414,546	-	414,546
Re-takaful / reinsurance share of unearned contributions	**320,424**	**-**	**320,424**	227,284	-	227,284
Re-takaful / reinsurance share of outstanding claims	**186,097**	**-**	**186,097**	207,122	-	207,122
Re-takaful / reinsurance share of outstanding claims IBNR	**93,146**	**-**	**93,146**	60,387	-	60,387
Re-takaful / reinsurance share of mathematical reserve at FVSI	**45**	**-**	**45**	31	-	31
Deferred policy acquisition costs	**164,633**	**-**	**164,633**	109,940	-	109,940
Investments mandatorily measured at FVSI	**422,591**	**45,163**	**467,754**	431,121	95,783	526,904
Investments designated as FVOCI	**80,404**	**349,522**	**429,926**	33,893	401,391	435,284
Due (to) / from shareholders'/ takaful operations	**(110,648)**	**110,648**	**-**	(358,969)	358,969	-
Investments held at amortised cost	**1,467,312**	**730,424**	**2,197,736**	1,519,723	369,843	1,889,566
Prepaymets and other assets	**49,891**	**39,664**	**89,555**	65,329	23,383	88,712
Property and equipment, net	**-**	**81,041**	**81,041**	-	83,216	83,216
Statutory deposit	**-**	**39,971**	**39,971**	-	39,971	39,971
Accrued income on statutory deposit	**-**	**5,026**	**5,026**	-	3,626	3,626
Right-of-use assets	**-**	**48,371**	**48,371**	-	55,733	55,733
TOTAL ASSETS	**3,935,720**	**1,490,450**	**5,426,170**	3,181,959	1,459,359	4,641,318

Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.1 Statement of financial position (continued)

	SAR '000					
	31-Dec-22			31-Dec-21		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
LIABILITIES:						
Payables, accruals and other liabilities	**226,064**	**51,542**	**277,606**	127,204	53,004	180,208
Re-takaful / reinsurance balances payable	**311,837**	**-**	**311,837**	179,530	-	179,530
Unearned contributions	**1,603,783**	**-**	**1,603,783**	1,168,466	-	1,168,466
Unearned re-takaful / reinsurance commission income	**28,780**	**-**	**28,780**	20,457	-	20,457
Gross outstanding claims	**125,150**	**-**	**125,150**	471,282	-	471,282
Claim Incurred but not reported	**1,294,170**	**-**	**1,294,170**	881,625	-	881,625
Contribution deficiency reserve	**52,587**	**-**	**52,587**	64,301	-	64,301
Unit linked liabilities at FVSI	**275,118**	**-**	**275,118**	217,611	-	217,611
End-of-service benefits (EOSB)	**-**	**22,812**	**22,812**	-	24,635	24,635
Provision for zakat and income tax	**-**	**49,925**	**49,925**	-	51,341	51,341
Payables to SAMA	**-**	**9,735**	**9,735**	-	8,336	8,336
Lease obligations	**-**	**49,222**	**49,222**	-	54,482	54,482
	3,917,489	**183,236**	**4,100,725**	3,130,476	191,798	3,322,274
Takaful operations' surplus payable	**37,318**	**-**	**37,318**	48,628	-	48,628
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	**3,954,807**	**183,236**	**4,138,043**	3,179,104	191,798	3,370,902
EQUITY:						
Share capital	**-**	**400,000**	**400,000**	-	400,000	400,000
Statutory reserve	**-**	**196,109**	**196,109**	-	178,186	178,186
Retained earnings	**-**	**667,246**	**667,246**	-	595,551	595,551
Remeasurement reserve for EOSB	**-**	**(5,423)**	**(5,423)**	-	(7,327)	(7,327)
Fair value reserve - Investments designated as FVOCI	**(19,087)**	**49,282**	**30,195**	2,855	101,151	104,006
TOTAL EQUITY	**(19,087)**	**1,307,214**	**1,288,127**	2,855	1,267,561	1,270,416
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND EQUITY	**3,935,720**	**1,490,450**	**5,426,170**	3,181,959	1,459,359	4,641,318
COMMITMENTS AND CONTINGENCIES	**61,318**	**-**	**61,318**	40,190	-	40,190

Notes to the financial statements (continued)
27. SUPPLEMENTARY INFORMATION (continued)
27.2 Statement of income (continued)
For the year ended December 31

	SAR '000					
	2022			2021		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written	**3,470,070**	**-**	**3,470,070**	2,759,590	-	2,759,590
Re-takaful / reinsurance contributions ceded - domestic	**(2,996)**	**-**	**(2,996)**	(11,610)	-	(11,610)
Re-takaful / reinsurance contributions ceded - foreign	**(668,064)**	**-**	**(668,064)**	(529,546)	-	(529,546)
Excess of loss expenses – foreign	**(13,003)**	**-**	**(13,003)**	(10,707)	-	(10,707)
Net contributions written	**2,786,007**	**-**	**2,786,007**	2,207,727	-	2,207,727
Changes in unearned contributions, net	**(342,178)**	**-**	**(342,178)**	53,312	-	53,312
Net contributions earned	**2,443,829**	**-**	**2,443,829**	2,261,039	-	2,261,039
Re-takaful / reinsurance commission income	**39,515**	**-**	**39,515**	35,924	-	35,924
Other underwriting income	**6,334**	**-**	**6,334**	6,390	-	6,390
TOTAL REVENUES	**2,489,678**	**-**	**2,489,678**	2,303,353	-	2,303,353
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	**(1,864,802)**	**-**	**(1,864,802)**	(1,785,465)	-	(1,785,465)
Surrenders and maturities	**(45,173)**	**-**	**(45,173)**	(28,810)	-	(28,810)
Expenses incurred related to claims	**(36,783)**	**-**	**(36,783)**	(27,584)	-	(27,584)
Reinsurers'/ Retakaful share of claims paid	**171,166**	**-**	**171,166**	126,054	-	126,054
Net claims and other benefits paid	**(1,775,592)**	**-**	**(1,775,592)**	(1,715,805)	-	(1,715,805)
Changes in outstanding claims, net	**325,107**	**-**	**325,107**	(41,100)	-	(41,100)
Changes in incurred but not reported (IBNR) claims, net	**(379,786)**	**-**	**(379,786)**	24,099	-	24,099
Change in contrbution deficiency reserve	**11,714**	**-**	**11,714**	10,651	-	10,651
Net claims and other benefits incurred	**(1,818,557)**	**-**	**(1,818,557)**	(1,722,155)	-	(1,722,155)
Change in unit linked liabilities at FVSI, net	**(68,173)**	**-**	**(68,173)**	(50,852)	-	(50,852)
Policy acquisition costs	**(341,884)**	**-**	**(341,884)**	(191,027)	-	(191,027)
Other underwriting expenses	**(17,306)**	**-**	**(17,306)**	(12,809)	-	(12,809)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(2,245,920)**	**-**	**(2,245,920)**	(1,976,843)	-	(1,976,843)
NET UNDERWRITING INCOME	**243,758**	**-**	**243,758**	326,510	-	326,510
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	**20,846**	**-**	**20,846**	5,748	-	5,748
Management fee for administration of takaful operations	**(259,641)**	**259,641**	**-**	(289,905)	289,905	-
General and administrative expenses	**-**	**(259,641)**	**(259,641)**	-	(289,905)	(289,905)
Special commission income	**49,671**	**11,040**	**60,711**	46,406	4,627	51,033
Net gains on investments mandatorily measured at FVSI	**11,880**	**4,690**	**16,570**	12,358	5,210	17,568
Dividend income	**-**	**13,029**	**13,029**	-	13,509	13,509
Reversal of impairment / (Impairment loss)	**(265)**	**23**	**(242)**	65	(55)	10
Other income	**12,641**	**85**	**12,726**	-	1,028	1,028
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	**(164,868)**	**28,867**	**(136,001)**	(225,328)	24,319	(201,009)
NET INCOME FOR THE YEAR BEFORE ATTRIBUTION OF MANAGEMENT FEE	**78,890**	**28,867**	**107,757**	101,182	24,319	125,501
Management fee attributable to shareholders' operations	**(71,001)**	**71,001**	**-**	(91,064)	91,064	-
NET INCOME FOR THE YEAR AFTER ATTRIBUTION OF MANAGEMENT FEE	**7,889**	**99,868**	**107,757**	10,118	115,383	125,501
Provision for zakat	**-**	**(10,250)**	**(10,250)**	-	(16,912)	(16,912)
Net income for the year after zakat	**7,889**	**89,618**	**97,507**	10,118	98,471	108,589

Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.3 Statement of comprehensive income

For the year ended December 31

	SAR '000					
	2022			2021		
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
Net income for the year after attribution of management fee to shareholders' operations	**7,889**	**89,618**	**97,507**	10,118	98,471	108,589
Other comprehensive income / (loss) :						
Items that will not be reclassified to statement of income in subsequent years						
- Net change in fair value in investments designated as FVOCI	**(21,942)**	**(51,869)**	**(73,811)**	3,786	55,353	59,139
- Remeasurement of EOSB	**-**	**1,904**	**1,904**	-	425	425
Total comprehensive income / (Loss) for the year	**(14,053)**	**39,653**	**25,600**	13,904	154,249	168,153
Reconciliation:						
Less: Net income attributable to takaful operations			**(7,889)**			(10,118)
Total comprehensive income for the year			**17,711**			158,035

27. SUPPLEMENTARY INFORMATION (continued)

27.4 Statement of cash flows

	SAR '000					
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
	For the year ended December 31, 2022			For the year ended December 31, 2021		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year before zakat	**7,889**	**99,868**	**107,757**	10,118	115,383	125,501
Adjustments for non-cash items:						
Depreciation of property and equipment	**-**	**23,906**	**23,906**	-	13,959	13,959
Depreciation of right-of-use assets	**-**	**7,362**	**7,362**	-	9,410	9,410
Write-off of assets, net	**-**	**7,146**	**7,146**	-	35,679	35,679
Management fee for administration of takaful operations	**259,641**	**(259,641)**	**-**	289,905	(289,905)	-
Management fee attributable to shareholders' operations	**(148,993)**	**148,993**	**-**	69,064	(69,064)	-
Reversal of allowance for doubtful debts - contribution and retakaful / reinsurance balances receivable	**(26,349)**	**-**	**(26,349)**	(60,467)	-	(60,467)
Unrealized gain on investments mandatorily measured at FVSI	**(15,474)**	**(380)**	**(15,854)**	(26,515)	(409)	(26,924)
Reversal of impairment of investments held at amortised cost	**265**	**13**	**278**	(65)	55	(10)
Finance cost	**-**	**6,742**	**6,742**	-	2,589	2,589
Provision for end-of-service benefits	**-**	**4,673**	**4,673**	-	4,853	4,853
	76,979	**38,682**	**115,661**	282,040	(177,450)	104,590
Changes in operating assets and liabilities:						
Contributions and re-takaful balances receivable	**(243,055)**	**-**	**(243,055)**	210,109	-	210,109
Re-takaful / reinsurance share of unearned contributions	**(93,140)**	**-**	**(93,140)**	(16,861)	-	(16,861)
Re-takaful / reinsurance share of outstanding claims	**21,025**	**-**	**21,025**	(121,653)	-	(121,653)
Re-takaful / reinsurance share of claims incurred but not reported	**(32,759)**	**-**	**(32,759)**	(33,430)	-	(33,430)
Re-takaful / reinsurance share of financial liabilities at FVSI	**(14)**	**-**	**(14)**	(8)	-	(8)
Deferred policy acquisition costs	**(54,693)**	**-**	**(54,693)**	(22,349)	-	(22,349)
Prepayments and other assets	**15,438**	**(16,281)**	**(843)**	(2,739)	7,810	5,071
Accrued income on statutory deposit	**-**	**(1,400)**	**(1,400)**	-	(1,399)	(1,399)
Payable to SAMA	**-**	**1,399**	**1,399**	-	1,399	1,399
Payable, accruals and other liabilities	**98,860**	**(1,462)**	**97,398**	(87,299)	(12,695)	(99,994)
Financial liabilities at FVSI	**57,507**	**-**	**57,507**	76,518	-	76,518
Re-takaful / reinsurance balances payable	**132,307**	**-**	**132,307**	2,088	-	2,088
Unearned contributions	**435,317**	**-**	**435,317**	(36,451)	-	(36,451)
Unearned re-takaful / reinsurance commission	**8,323**	**-**	**8,323**	5,555	-	5,555

Notes to the financial statements (continued)

27. SUPPLEMENTARY INFORMATION (continued)

27.4 Statement of cash flows (continued)

	SAR '000					
	Takaful operations	**Shareholders' operations**	**Total**	Takaful operations	Shareholders' operations	Total
	For the year ended December 31, 2022			For the year ended December 31, 2021		
Gross outstanding claims	**(346,132)**	**-**	**(346,132)**	162,753	-	162,753
Claims incurred but not rported	**412,545**	**-**	**412,545**	9,331	-	9,331
Contrbution deficiency reserve	**(11,714)**	**-**	**(11,714)**	(10,651)	-	(10,651)
Deposit against letters of guarantee	**(21,128)**	**-**	**(21,128)**	(19,117)	-	(19,117)
	455,666	**20,938**	**476,604**	397,836	(182,335)	215,501
Management fee (paid) / received	**(358,969)**	**358,969**	**-**	(533,451)	533,451	-
Zakat paid	**-**	**(11,666)**	**(11,666)**	-	(20,721)	(20,721)
Takaful operations' surplus paid	**(19,199)**	**-**	**(19,199)**	(9,806)	-	(9,806)
End-of-service benefits paid	**-**	**(4,592)**	**(4,592)**	-	(7,473)	(7,473)
Net cash generated from operating activities	**77,498**	**363,649**	**441,147**	(145,421)	322,922	177,501
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments mandatorily measured at FVSI	**(1,696,311)**	**(469,500)**	**(2,165,811)**	(1,546,008)	(807,162)	(2,353,170)
Disposals of investments mandatorily measured at FVSI	**1,720,315**	**520,500**	**2,240,815**	1,603,023	783,886	2,386,909
Purchase of investments designated as FVOCI	**(68,453)**	**-**	**(68,453)**	-	(65,023)	(65,023)
Disposals of investments designated as FVOCI	**-**	**-**	**-**	-	15,326	15,326
Purchase of investments held at amortised cost	**(1,605,590)**	**(785,659)**	**(2,391,249)**	(492,022)	(339,965)	(831,987)
Disposal of investments held at amortised cost	**1,657,862**	**425,065**	**2,082,927**	201,226	120,074	321,300
Additions in property and equipment	**-**	**(28,877)**	**(28,877)**	-	(32,556)	(32,556)
Net cash (used in) investing activities	**7,823**	**(338,471)**	**(330,648)**	(233,781)	(325,420)	(559,201)
CASH FLOWS FROM FINANCING ACTIVITIES						
Lease liability paid	**-**	**(12,002)**	**(12,002)**	-	(12,315)	(12,315)
Net cash used in financing activities	**-**	**(12,002)**	**(12,002)**	-	(12,315)	(12,315)
Net change in cash and cash equivalents	**85,321**	**13,176**	**98,497**	(379,202)	(14,813)	(394,015)
Cash and cash equivalents, beginning of the year	**431,362**	**22,735**	**454,097**	810,564	37,548	848,112
Cash and cash equivalents, end of the year	**516,683**	**35,911**	**552,594**	431,362	22,735	454,097
NON-CASH INFORMATION						
Changes in fair value of investments designated as FVOCI	**(21,942)**	**(51,869)**	**(73,811)**	3,786	55,353	59,139
Remeasurement of end-of-service benefits (EOSB)	-	**(1,904)**	**(1,904)**	-	(425)	(425)
Right-of-use assets additions	-	**4,103**	**4,103**	-	21,976	21,976

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. These risks are an inevitable consequence of participating in financial markets. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies, procedures and systems are designed to identify and analyze these risks and to set appropriate risk mitigants and controls. The Company reviews its risk management policies and systems on an ongoing basis to reflect changes in markets, products and emerging best practices.

28.1 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.

28.1.1 Credit risk measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

a. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

b. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

c. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

d. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

e. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met.

Quantitative criteria:

- Downward movement in the external credit rating by two notches;
- Downward movement in the external credit rating by one notch if the revised external credit rating becomes below "investment grade";
- Contractual payments are more than 7 days past due;

Qualitative criteria:

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its obligations to the Company;
- A group company of the counterparty has defaulted and in the Company's opinion repayment capacity of the counterparty would also be significantly impacted.

Definition of default and credit-impaired assets

The Company defines a financial instruments as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

- Contractual payments are more than 90 days past due;
- Counterparty's refusal to pay the amounts due.

Qualitative criteria:

- Information about the bankruptcy of the counterparty;
- Legal case on recovery proceedings;

The criteria above have been applied to all financial assets other than contribution and re-takaful balances receivable held by the Company and are consistent with the definition of default used for internal risk management purposes. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. For impairment allowance on contribution and re-takaful balances receivable refer note 4.3 and note 6.

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company considers scenarios in range of 3-5 years horizon (consistent with forecast available from public sources) beyond which long term average macroeconomic conditions prevail. Externally available macroeconomic forecast from Global Rating Agencies and Saudi Arabian Monetary Authority (SAMA) are used for making base case forecast. For other scenarios, adjustment are made to base case forecast based on expert judgement. The Company uses multiple scenarios and probabilities are assigned to each scenario based on expert judgement.

Based on the detailed analysis of the Companies exposures to the credit risk, the management of the Company have opted to benefit from the practical expedient in calculating the expected credit losses provided by IFRS 9 for financial assets with low credit risk. The management of the Company measures impairment using 12-month expected credit losses for its financial assets subject to impairment. The low credit risk financial assets of the Company meet the following requirements of IFRS 9 to measure impairment using 12-

- Low credit risk of default;
- The counterparties have a strong capacity to meet their obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations.

The Company uses external credit risk ratings of well-known and reputable rating agencies to assess the probability of default of individual counterparties.

The Company does not recognise lifetime expected credit losses on a financial instrument simply because it was considered to have low credit risk in the previous reporting period and is not considered to have low credit risk at the reporting date. In such a case, the Company will determine whether there has been a significant increase in credit risk since initial recognition and thus whether lifetime expected credit losses are

Measuring expected credit losses

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the exposure.

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the exposures. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

a) Maximum exposure to credit risk – financial instruments subject to ECL

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets measured at amortised cost below, also represents the Company's maximum exposure to credit risk on these assets.

i) TAKAFUL OPERATIONS

	December 31, 2022				31-Dec-21
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Bank balances	**578,001**	**-**	**-**	**578,001**	471,552
Investments held at amortised cost	**1,468,358**	**-**	**-**	**1,468,358**	1,520,630
Gross carrying amount	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Loss allowance	**(1,172)**	**-**	**-**	**(1,172)**	(907)
Carrying amount	**2,045,187**	**-**	**-**	**2,045,187**	1,991,275

	December 31, 2022				31-Dec-21
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Investment grade	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Gross carrying amount	**2,046,359**	**-**	**-**	**2,046,359**	1,992,182
Loss allowance	**(1,172)**	**-**	**-**	**(1,172)**	(907)
Carrying amount	**2,045,187**	**-**	**-**	**2,045,187**	1,991,275

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

a) Maximum exposure to credit risk – financial instruments subject to ECL (continued)

ii) SHAREHOLDERS' OPERATIONS

	December 31, 2022				31-Dec-21
Financial statement line item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Bank balances	**40,620**	-	-	**40,620**	27,444
Investments held at amortised cost	**730,560**	-	-	**730,560**	369,966
Statutory deposit		-	-	-	40,000
Gross carrying amount	**771,180**	-	-	**771,180**	437,410
Loss allowance	**(164)**	-	-	**(164)**	(151)
Carrying amount	**771,016**	-	-	**771,016**	437,259

	December 31, 2022				31-Dec-21
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
	12-month ECL SAR'000	Lifetime ECL SAR'000	Lifetime ECL SAR'000	SAR'000	SAR'000
Investment grade	**771,180**	-	-	**771,180**	437,410
Gross carrying amount	**771,180**	-	-	**771,180**	437,410
Loss allowance	**(164)**	-	-	**(164)**	(151)
Carrying amount	**771,016**	-	-	**771,016**	437,259

The Company's exposures to credit risk are not collateralised.

b) Loss allowance

The loss allowance recognised in the period may be impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

b) Loss allowance (continued)

i) TAKAFUL OPERATIONS

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2022	**907**	**-**	**-**	**907**
Movements with the statement of income				
Transfers:				
New financial assets originated or purchased	**1,044**	**-**	**-**	**1,044**
Financial assets derecognised during the year	**(779)**	**-**	**-**	**(779)**
Write-offs	**-**	**-**	**-**	**-**
Total loss allowance for the year	**265**	**-**	**-**	**265**
Loss allowance as at December 31, 2022	**1,172**	**-**	**-**	**1,172**

	Stage 1 12-month ECL SAR'000	**Stage 2** Lifetime ECL SAR'000	**Stage 3** Lifetime ECL SAR'000	**Total** SAR'000
Loss allowance as at January 1, 2021	971	-	-	971
Movements with the statement of income				
Transfers:				
New financial assets originated or purchased	396	-	-	396
Financial assets derecognised during the year	(460)	-	-	(460)
Write-offs	-	-	-	-
Total loss allowance for the year	(64)	-	-	(64)
Loss allowance as at December 31, 2021	907	-	-	907

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

28.1.1 Credit risk measurement (continued)

b) Loss allowance (continued)

ii) SHAREHOLDERS' OPERATIONS

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2022	**151**	**-**	**-**	**151**
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	**90**	-	-	**90**
Financial assets derecognised during the year	**(77)**	-	-	**(77)**
Write-offs	-	-	-	-
Total reversal of loss allowance for the year	**13**	-	-	**13**
Loss allowance as at December 31, 2022	**164**	**-**	**-**	**164**

	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Loss allowance as at January 1, 2021	96	-	-	96
Movements with the statement of income				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	490	-	-	490
Financial assets derecognised during the year	(435)	-	-	(435)
Write-offs	-	-	-	-
Total reversal of loss allowance for the year	55	-	-	55
Loss allowance as at December 31, 2021	151	-	-	151

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Risk governance

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

28.3 Risk management structure

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

Board of Directors

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

Senior management

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

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

a) Takaful risk

The risk under a takaful contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of takaful liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

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

Although the Company has re-takaful/ reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to re-takaful/ reinsurance ceded, to the extent that any re-takaful/ reinsurance is unable to meet its obligations assumed under such re-takaful/ reinsurance arrangements.

The takaful claim liabilities mentioned in note 11.1 (a) are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

a) Takaful risk (continued)

Property and Accident

For property takaful contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance/ reinsurance cover for such damage to limit losses for any individual claim to SAR 500 thousand (2021: SAR 500 thousand).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has only underwritten comprehensive polices for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has re-takaful cover for such damage to limit the losses for any individual claim to SAR 5,000 thousand (2021: SAR 5,000 thousand).

Medical

The Company’s underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the

Marine

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

The underwriting strategy for the marine cargo class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has re-takaful cover to limit losses for any individual claim to SAR 500 thousand (2021: SAR 500 thousand).

Sensitivity analysis

The takaful claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claim ratio would impact income by approximately SAR 122 million (2021: SAR 113 million) annually in aggregate.

b) Re-takaful risk

In order to minimize its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for re-takaful purposes. Such re-takaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Motor policies are protected by an excess of loss treaty. Health policies have been reinsured on a quota share basis. Marine, engineering and other lines of business have been insured on a quota share, surplus and facultative basis.

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

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

b) Re-takaful risk (continued)

Re-takaful ceded contracts do not relieve the Company from its obligations to the policyholders and as a result, the Company remains liable for outstanding claims re-takaful to the extent that the re-takaful fails to meet the obligations under the reinsurance agreements. The credit exposure in respect of re-takaful share of outstanding claims is mainly concentrated in the Gulf Co-operative Council countries (the ‘GCC’) and Europe.

c) 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 Riyal. In addition, Company’s foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal and therefore the financial instruments are not sensitive to currency fluctuations.

d) 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 has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the Company’s income for one year. Based on the floating rate financial assets held at December 31, 2022 an increase or decrease of 50 basis points in commission rates would result in a change in the loss or gain for the year of SAR 3,975 thousand (2021: SAR 4,725 thousand)

e) Market price risk

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

The Company has investment in the units of commodity fund (classified as FVSI) managed by a related party. A 5% change in the net asset value of funds, with all other variables held constant, would impact the net income for the year by increase / decrease of SAR 1,704 thousand (2021: SAR 3,891 thousand) .

The Company has investment in the Saudi companies equities listed on Tadawul (Classified as FVOCI). A 5% change in the market value of these investments, with all other variables held constant, would impact the shareholders' equity by increase / decrease of SAR 19,600 thousand (2021: SAR 19,693 thousand).

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure

f) Credit risk

The analysis of the credit ratings of the investment held at amortised cost is as follows:

	December 31, 2022	
	Takaful operations SAR'000	**Shareholders' operations SAR'000**
S & P equivalent (AAA)	**-**	**585,524**
S & P equivalent (A+)	**22,495**	**-**
S & P equivalent (A-)	**-**	**-**
S & P equivalent (BBB+)	**1,444,817**	**144,900**
	1,467,312	**730,424**

	31-Dec-21	
	Takaful operations SAR'000	Shareholders' operations SAR'000
S & P equivalent (AAA)	107,271	174,966
S & P equivalent (A+)	22,495	-
S & P equivalent (A-)	199,880	99,977
S & P equivalent (BBB+)	1,190,077	94,900
	1,519,723	369,843

g) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. There is also a liquidity risk associated with the timing difference between gross cash out-flows and expected re-takaful recoveries.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Company's catastrophic excess-of-loss re-takaful/ reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The table below summarises the maturity profile of the non-derivative financial assets and liabilities of the Company based on remaining expected obligations. For takaful contract liabilities and re-takaful/ reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities. Repayments that are subject to notice are treated as if notice were to be

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

g) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2022 - SAR ’000			December 31, 2021 - SAR ’000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS, TAKAFUL OPERATIONS						
Cash and cash equivalents	**577,875**	**-**	**577,875**	471,552	-	471,552
Contributions and re-takaful balances receivable - net	**683,950**	**-**	**683,950**	414,546	-	414,546
Re-takaful share of outstanding claims	**186,097**	**-**	**186,097**	207,122	-	207,122
Re-takaful / reinsurance share of outstanding claims IBNR	**93,146**	**-**	**93,146**	60,387	-	60,387
Re-takaful share of mathematical reserve at FVSI	**45**	**-**	**45**	31	-	31
Investments mandatorily measured at FVSI	**422,591**		**422,591**	96,937	334,184	431,121
Investments designated as FVOCI	**-**	**80,404**	**80,404**	-	33,893	33,893
Due (to)/ from shareholders’/ takaful operations	**(110,648)**	**-**	**(110,648)**	(358,969)	-	(358,969)
Investments held at amortised cost	**-**	**1,467,312**	**1,467,312**	-	1,519,723	1,519,723
TOTAL ASSETS	**1,853,056**	**1,547,716**	**3,400,772**	891,606	1,887,800	2,779,406

	December 31, 2022 - SAR ’000			December 31, 2021 - SAR ’000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
LIABILITIES, TAKAFUL OPERATIONS						
Re-takaful balances payable	**311,837**	**-**	**311,837**	179,530	-	179,530
Gross outstanding claims	**125,150**	**-**	**125,150**	471,282	-	471,282
Payables, accruals and other liabilities	**-**	**226,064**	**226,064**	-	127,204	127,204
Claims incurred but not reported	**1,294,170**	**-**	**1,294,170**	881,625	-	881,625
Unit linked liabilities at FVSI	**-**	**275,118**	**275,118**	-	217,611	217,611
Takaful operations’ surplus payable	**37,318**	**-**	**37,318**	48,628	-	48,628
TOTAL LIABILITIES AND SURPLUS	**1,768,475**	**501,182**	**2,269,657**	1,581,065	344,815	1,925,880

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

g) Liquidity risk (continued)

Maturity profiles (continued)

	December 31, 2022 - SAR ’000			December 31, 2021 - SAR ’000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
ASSETS, SHAREHOLDERS' OPERATIONS						
Cash and cash equivalents	**40,620**	**-**	**40,620**	27,444	**-**	27,444
Investments mandatorily measured at FVSI	**45,163**		**45,163**	50,620	45,163	95,783
Investments designated as FVOCI	**349,522**	**-**	**349,522**	401,391	-	401,391
Due (to)/ from shareholders’/ takaful operations	**110,648**	**-**	**110,648**	358,969	**-**	358,969
Investments held at amortised cost	**-**	**730,424**	**730,424**	369,843	-	369,843
Statutory deposit	**39,971**		**39,971**	-	39,971	39,971
Accrued income on statutory deposit	**5,026**	**-**	**5,026**	3,626	-	3,626
TOTAL ASSETS	**590,950**	**730,424**	**1,321,374**	1,211,893	85,134	1,297,027

	December 31, 2022 - SAR ’000			December 31, 2021 - SAR ’000		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
LIABILITIES, SHAREHOLDERS' OPERATIONS						
Payables to SAMA	**-**	**5,026**	**5,026**	-	3,626	3,626
End-of-service benefits (EOSB)	**-**	**22,812**	**22,812**	-	24,635	24,635
Lease obligations	**-**	**49,222**	**49,222**	-	54,482	54,482
TOTAL LIABILITIES AND SURPLUS	**-**	**77,060**	**77,060**	-	82,743	82,743

Liquidity profile

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations, including contribution receivable. For takaful contract liabilities and assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contributions, re-takaful share of unearned contributions, deferred policy acquisition costs and unearned re-takaful commission income have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately and such amounts are classified as due within one year.

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

g) Liquidity risk (continued)

Liquidity profile (continued)

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
ASSETS, TAKAFUL OPERATIONS				
Cash and cash equivalents	577,875	-	-	577,875
Contributions and re-takaful/ reinsurance balances receivable - net	683,950	-	-	683,950
Re-takaful/ reinsurance share of outstanding claims	186,097	-		186,097
Re-takaful share of mathematical reserve at FVSI	45	-	-	45
Investments mandatorily measured at FVSI	422,591	-		422,591
Investments designated as FVOCI	-	-	80,404	80,404
Due (to)/ from shareholders'/ takaful operations	(110,648)	-	-	(110,648)
Investments held at amortised cost	-	1,467,312	-	1,467,312
TOTAL ASSETS	1,759,910	1,467,312	80,404	3,307,626

	December 31, 2022 - SAR '000			
	Up to 1 year	1-3 years	above 3 years	Total
LIABILITIES, TAKAFUL OPERATIONS				
Re-takaful / reinsurance balances payable	311,837	-	-	311,837
Gross outstanding claims	125,150	-	-	125,150
Claims incurred but not reported	1,294,170	-	-	1,294,170
Unit linked liabilities at FVSI	-	-	275,118	275,118
Takaful operations' surplus payable	37,318	-	-	37,318
TOTAL LIABILITIES AND SURPLUS	1,768,475	-	275,118	2,043,593

Notes to the financial statements (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Risk management structure (continued)

g) Liquidity risk (continued)

Liquidity profile (continued)

	December 31, 2022 - SAR '000			
	Up to 1 year	**1-3 years**	**above 3 years**	**Total**
ASSETS, SHAREHOLDERS' OPERATIONS				
Cash and cash equivalents	**40,620**	-	-	**40,620**
Investments mandatorily measured at FVSI	**45,163**	-	-	**45,163**
Investments designated as FVOCI	-	-	**349,522**	**349,522**
Due (to) / from shareholders'/ takaful operations	**110,648**	-	-	**110,648**
Investments held at amortised cost	-	**730,424**	-	**730,424**
Statutory deposit	-	-	-	-
Accrued income on statutory deposit	**5,026**	-	-	**5,026**
TOTAL ASSETS	**201,457**	**730,424**	**349,522**	**1,281,403**

	December 31, 2022 - SAR '000			
	Up to 1 year	**1-3 years**	**above 3 years**	**Total**
LIABILITIES, SHAREHOLDERS' OPERATIONS				
Payables to SAMA	-	**5,026**	-	**5,026**
TOTAL LIABILITIES AND SURPLUS	-	**5,026**	-	**5,026**

29. COMPARATIVE FIGURES

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

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company, on Sha'ban 8, 1444, corresponding February 28, 2023.