GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITORS' REPORT

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Gulf Union Alahlia Cooperative Insurance Company (formerly "Gulf Union Cooperative Insurance Company"), a Saudi Joint Stock Company, (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, which include significant accounting policies and other explanatory information.

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, 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, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2022, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 97.8 million, Saudi Riyals 92.8 million, Saudi Riyals 17.2 million and Saudi Riyals 9.6 million, respectively. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates. Refer to Note 3.9 to the accompanying financial statements for the accounting policy relating to insurance contract liabilities, Note 5 for the disclosure of significant accounting estimates and judgements and Notes 10 and 27.1 for the disclosures of matters related to insurance contract liabilities.	Our audit procedures included the following: • Updated our understanding and evaluated and tested key controls around the claims handling and provision setting processes. • Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also verified the outstanding claims amounts to the appropriate source documentation. • Evaluated the competence, capabilities and objectivity of the Appointed Actuary based on their professional qualifications and experience and assessed their independence. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on a sample basis, the accuracy and completeness of underlying claims data utilised by the Appointed Actuary in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records. • Involved our internal expert to evaluate the Company's actuarial practices and related provisions established (for both significant and non-significant operating segments) and gained comfort over the actuarial report issued by the Appointed Actuary. We also performed the following procedures: (i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;

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Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
	(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; (iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed; and (iv) Performed independent re-projections on IBNR, additional premium reserves, and other technical reserves, for significant operating segments, to compare them with the amounts recorded by management and sought to understand any significant differences. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of the carrying value of goodwill In accordance with the International Accounting Standard 36, 'Impairment of assets' ("IAS 36"), the Company is required to test the goodwill acquired in a business combination for impairment at least annually irrespective of whether or not there is any indication of impairment. As at 31 December 2022, the Company had goodwill amounting to Saudi Riyals 67,697,750. Goodwill is monitored by management at the level of cash generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment test in respect of goodwill allocated to the combined entity as a single CGU, by determining the recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five years' approved business plan. The outcome of this exercise did not result in any impairment loss to be recognised. We considered this as a key audit matter as the assessment of the recoverable amount of goodwill under the value-in-use method is complex and requires the use of significant judgement and estimates. Refer to Notes 3.26 and 3.31 to the accompanying financial statements for the accounting policies relating to the impairment of goodwill, Note 5 for the disclosure of significant accounting estimates and judgments and Note 4 for the disclosures of matters related to goodwill's impairment assessment.	Our audit procedures included the following: • Understood and evaluated the appropriateness of management's identification of the CGU; • Assessed the methodology used by management to determine the recoverable value of the goodwill based on the value-in-use method and compared it to the requirements of IAS 36; • Tested the arithmetical accuracy and integrity of the underlying calculations in the value-in-use model; • Tested the accuracy of the input data by reference to supporting evidence, such as approved business plan, and considered the reasonableness of approved business plan by comparison to the Company's historical results and performance against budgets; • Engaged our internal valuation expert to assess the reasonableness of the discount rate; • Performed sensitivity analyses over key assumptions used in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes; and • Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 Company's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and those charged with governance for the financial statements

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

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

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

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

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

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

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

Independent auditors' report to the shareholders of Gulf Union Alahlia Cooperative Insurance Company (continued)

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

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

PricewaterhouseCoopers
P.O. Box 467
Dhahran Airport 31932
Kingdom of Saudi Arabia

Ali H. Al Basri
License Number 409

April 3, 2023
12 Ramadan 1444 H

RSM Allied Accountants Professional Services
P.O. Box 12333
Riyadh 8335
Kingdom of Saudi Arabia

Mohammed Farhan Bin Nader
License Number 435

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
Lic No. 323/11/25/2
C.R. 2051062384

C.R. 4030228773
RSM Allied Accountants Professional Services Co.

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Cash and cash equivalents	7	**100,322,227**	114,982,093
Premiums and reinsurers' receivable - net	8	**176,323,952**	161,223,340
Premiums receivable - related parties - net	9, 19	**7,206,304**	4,452,622
Reinsurers' share of unearned premiums	6, 10	**35,577,648**	44,001,521
Reinsurers' share of outstanding claims	6, 10	**30,772,469**	34,230,197
Reinsurers' share of claims incurred but not reported	6, 10	**10,806,347**	21,446,416
Deferred policy acquisition costs	6, 10	**18,758,743**	17,232,872
Investments	11	**266,878,787**	277,766,632
Prepaid expenses and other assets	13	**40,979,173**	45,713,164
Term deposits	12	**160,092,750**	40,032,877
Property and equipment	14	**7,565,938**	8,854,908
Right-of-use assets	16	**7,447,735**	7,584,087
Intangible assets	4,15	**45,468,473**	43,378,547
Goodwill	3,4	**67,697,750**	67,697,750
Statutory deposit	30	**68,842,392**	34,421,196
Accrued income on statutory deposit	30	**8,954,696**	7,738,807
TOTAL ASSETS		**1,053,695,384**	930,757,029
LIABILITIES			
Accounts payable	29.1	**92,417,127**	117,346,288
Accrued and other liabilities	29	**36,550,749**	14,500,495
Reinsurers' balances payable		**11,637,535**	14,478,470
Unearned premiums	6,10	**283,116,558**	255,996,173
Unearned reinsurance commission	6,10	**9,008,516**	10,342,959
Outstanding claims	6,10	**97,750,416**	93,994,985
Claims incurred but not reported	6,10	**92,785,104**	186,847,969
Additional premium reserves	6,10	**17,205,865**	22,019,563
Other technical reserves	6,10	**9,557,211**	17,984,038
Lease liabilities	16	**6,776,329**	6,732,810
Employee benefit obligations	21	**18,256,354**	16,927,680
Zakat and income tax	20	**22,072,948**	20,072,948
Surplus distribution payable	23	**13,013,699**	13,748,722
Accrued income payable to SAMA	30	**8,954,696**	7,738,807
TOTAL LIABILITIES		**719,103,107**	798,731,907
EQUITY			
Share capital	22	**458,949,280**	229,474,640
Statutory reserve	17	**4,885,691**	4,885,691
Accumulated losses		**(111,651,745)**	(111,242,809)
Remeasurement reserve of employee benefit obligations	21	**(1,231,873)**	(168,351)
Fair value reserve on investments	11	**(16,359,076)**	9,075,951
TOTAL EQUITY		**334,592,277**	132,025,122
TOTAL LIABILITIES AND EQUITY		**1,053,695,384**	930,757,029

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Abdulaziz Ali Al Turki Chairman of the Board of Directors	Fares AlHabbad Chief Financial Officer	Meshael Al Shayea Chief Executive Officer

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
REVENUES			
Gross premiums written	6	**548,430,785**	572,523,050
Reinsurance premiums ceded:			
- Foreign	6	**(70,597,190)**	(95,031,930)
- Local	6	**(12,319,070)**	(12,326,543)
Excess of loss premiums:			
- Foreign	6	**(10,786,022)**	(20,873,767)
- Local	6	**(5,252,991)**	(1,577,658)
Net premiums written		**449,475,512**	442,713,152
Changes in unearned premiums	6, 10	**(27,120,385)**	119,592,628
Changes in reinsurers' share of unearned premiums	6, 10	**(8,423,873)**	7,526,723
Net premiums earned		**413,931,254**	569,832,503
Reinsurance commissions	6, 10	**20,384,197**	24,156,018
Fee income from insurance	6	**512,102**	408,443
Total revenues		**434,827,553**	594,396,964
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	6, 10	**(457,311,255)**	(623,680,031)
Reinsurers' share of gross claims paid	6, 10	**71,752,769**	89,703,315
Expenses incurred related to claims	6, 10	**(4,527,712)**	(12,253,228)
Net claims and other benefits paid		**(390,086,198)**	(546,229,944)
Changes in outstanding claims	6	**(3,755,431)**	10,747,575
Changes in reinsurers' share of outstanding claims	6	**(3,457,728)**	(14,258,910)
Changes in claims incurred but not reported	6	**94,062,865**	(15,950,055)
Changes in reinsurers' share of claims incurred but not reported	6	**(10,640,069)**	1,383,425
Net claims and other benefits incurred		**(313,876,561)**	(564,307,909)
Policy acquisition costs	6, 10	**(34,092,055)**	(52,413,225)
Changes in additional premium reserves	6	**4,813,698**	(10,724,172)
Changes in other technical reserves	6	**8,426,827**	(6,772,445)
Other underwriting expenses	6	**(24,097,073)**	(7,930,297)
Total underwriting costs and expenses, net		**(358,825,164)**	(642,148,048)
NET UNDERWRITING INCOME (LOSS)		**76,002,389**	(47,751,084)

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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
OTHER OPERATING (EXPENSES) INCOME			
Allowance for doubtful debts	8, 9	**(1,010,085)**	(2,627,528)
General and administrative expenses	24	**(106,132,970)**	(113,589,001)
Investment and commission income	25	**20,128,226**	17,755,241
Finance costs	16, 21	**(664,667)**	(624,886)
Other income	25.1	**16,507,060**	7,647,999
Total other operating expenses, net		**(71,172,436)**	(91,438,175)
Total profit (loss) for the year before surplus attribution, zakat and income tax		**4,829,953**	(139,189,259)
Surplus attributed to the insurance operations		**(306,389)**	-
Total profit (loss) for the year before zakat and income tax		**4,523,564**	(139,189,259)
Zakat expense	20	**(2,000,000)**	(2,000,000)
Income tax expense	20	**-**	-
Total profit (loss) for the year attributable to the shareholders		**2,523,564**	(141,189,259)
Weighted average number of outstanding shares		**38,539,051**	24,919,184
Earnings (losses) per share (expressed in Saudi Riyals per share)			
Basic earnings (losses) per share	18	**0.07**	(5.67)
Diluted earnings (losses) per share	18	**0.07**	(5.67)

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Abdulaziz Ali Al Turki Chairman of the Board of Directors	Fares AlHabbad Chief Financial Officer	Meshael Al Shayea Chief Executive Officer

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Total profit (loss) for the year attributable to the shareholders		**2,523,564**	(141,189,259)
Other comprehensive income			
Items that will not be reclassified to the statement of income in subsequent years			
Remeasurement (loss) gain on employee benefit obligations	21	**(1,063,522)**	2,034,710
Items that will be reclassified to the statement of income in subsequent years			
Realised gain reclassified to statement of income	11	**(1,600,001)**	(140,129)
Net change in fair value of available-for-sale investments	11	**(23,835,026)**	(1,011,710)
Total other comprehensive (loss) income		**(26,498,549)**	882,871
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(23,974,985)**	(140,306,388)

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Abdulaziz Ali Al Turki Chairman of the Board of Directors	Fares AlHabbad Chief Financial Officer	Meshael Al Shayea Chief Executive Officer

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
At 1 January 2022		**229,474,640**	**4,885,691**	**(111,242,809)**	**(168,351)**	**9,075,951**	**132,025,122**
Total comprehensive income (loss) for the year							
Total profit for the year attributable to the shareholders		-	-	**2,523,564**	-	-	**2,523,564**
Realised gain reclassified to statement of income	11	-	-	-	-	**(1,600,001)**	**(1,600,001)**
Re-measurement loss on employee benefit obligations	21	-	-	-	**(1,063,522)**	-	**(1,063,522)**
Net change in fair value of available-for-sale investments	11	-	-	-	-	**(23,835,026)**	**(23,835,026)**
Total comprehensive income (loss) for the year		-	-	**2,523,564**	**(1,063,522)**	**(25,435,027)**	**(23,974,985)**
Issuance of share capital		**229,474,640**	-	**(2,932,500)**	-	-	**226,542,140**
At 31 December 2022		**458,949,280**	**4,885,691**	**(111,651,745)**	**(1,231,873)**	**(16,359,076)**	**334,592,277**

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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	Accumulated losses	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
At 1 January 2021		229,474,640	89,488,445	4,885,691	(59,541,995)	(2,203,061)	10,227,790	272,331,510
Total comprehensive (loss) income for the year								
Total loss for the year attributable to the shareholders		-	-	-	(141,189,259)	-	-	(141,189,259)
Realised gain reclassified to statement of income	11	-	-	-	-	-	(140,129)	(140,129)
Re-measurement gain on employee benefit obligations	21	-	-	-	-	2,034,710	-	2,034,710
Net change in fair value of available-for-sale investments	11	-	-	-	-	-	(1,011,710)	(1,011,710)
Total comprehensive (loss) income for the year		-	-	-	(141,189,259)	2,034,710	(1,151,839)	(140,306,388)
Absorption of losses against share premium	4	-	(89,488,445)	-	89,488,445	-	-	-
At 31 December 2021		229,474,640	-	4,885,691	(111,242,809)	(168,351)	9,075,951	132,025,122

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Abdulaziz Ali Al Turki
Chairman of the Board of Directors

Fares AlHabbad
Chief Financial Officer

Meshael Al Shayea
Chief Executive Officer

GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Total profit (loss) for the year before surplus attribution, zakat and income tax		**4,829,953**	(139,189,259)
Adjustments for non-cash items:			
Depreciation of property and equipment	14	**2,186,114**	2,903,594
Amortisation of intangible assets	15	**8,872,813**	8,587,426
Depreciation of right-of-use assets	16	**3,027,818**	1,839,203
Finance costs	16, 21	**664,667**	624,886
Investment and commission income	25	**(18,528,225)**	(17,615,112)
Allowance for doubtful debts	8, 9	**1,010,085**	2,627,528
Provision for employee benefit obligations	21	**2,352,935**	2,882,796
Gain on termination of lease liabilities	16	**(1,091,864)**	(112,288)
Realised gain on disposal of available-for-sale investments	11	**(1,600,001)**	(140,129)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(15,897,168)**	42,717,861
Premium receivables - related parties		**(2,967,212)**	3,858,655
Reinsurers' share of unearned premiums	10	**8,423,873**	(7,526,723)
Reinsurers' share of outstanding claims		**3,457,728**	14,258,910
Reinsurers' share of claims incurred but not reported		**10,640,069**	(1,383,425)
Deferred policy acquisition costs		**(1,525,871)**	12,241,727
Prepaid expenses and other assets		**9,302,994**	(13,662,034)
Accounts payable		**(24,929,161)**	45,238,072
Accrued and other liabilities		**22,050,254**	(13,404,935)
Reinsurers' balances payable		**(2,840,935)**	(901,382)
Unearned premiums	10	**27,120,385**	(119,592,628)
Unearned reinsurance commission		**(1,334,443)**	1,517,074
Outstanding claims		**3,755,431**	(10,747,575)
Claims incurred but not reported		**(94,062,865)**	15,950,055
Additional premium reserves		**(4,813,698)**	10,724,172
Other technical reserves		**(8,426,827)**	6,772,445
Employee benefit obligations paid	21	**(2,484,473)**	(4,928,836)
Zakat and income tax paid	20	**-**	(1,886,010)
Surplus paid to the policy holders		**(1,041,412)**	-
Net cash used in operating activities		**(73,849,036)**	(158,345,932)

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GULF UNION ALAHLIA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS (continued)
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits		**(120,092,750)**	(40,032,877)
Liquidation of term deposits		-	126,570,741
Purchases of available-for-sale investments	11	**(56,111,939)**	(29,288,091)
Purchases of held-to-maturity investments	11	-	(9,931,031)
Proceeds from disposals of available-for-sale investments	11	**36,704,320**	10,000,000
Proceeds from redemptions of held-to-maturity investments	11	**6,460,438**	7,499,994
Investment and commission income received		**13,992,099**	16,385,347
Payments for purchases of property and equipment	14	**(897,144)**	(988,109)
Additions to intangible assets	15	**(10,962,739)**	(3,770,228)
(Addition) liquidation in statutory deposit	30	**(34,421,196)**	18,450,000
Net cash (used in) generated from investing activities		**(165,328,911)**	94,895,746
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments	16	**(1,756,082)**	(1,023,355)
Finance cost paid		**(267,977)**	(52,395)
Issue of share capital, net of expenses	1	**226,542,140**	-
Net cash generated from (used in) financing activities		**224,518,081**	(1,075,750)
Net decrease in cash and cash equivalents		**(14,659,866)**	(64,525,936)
Cash and cash equivalents at the beginning of the year		**114,982,093**	179,508,029
Cash and cash equivalents at end of the year	7	**100,322,227**	114,982,093
<u>Supplemental non-cash information:</u>			
Net change in fair value reserve for available-for-sale investments	11	**(23,835,026)**	(1,151,839)
Remeasurement loss (gain) on employee benefit obligations	21	**1,063,522**	(2,034,710)
Right-of-use assets and lease liabilities (Note 16)			

The accompanying notes from 1 to 33 form an integral part of these financial statements.

Abdulaziz Ali Al Turki Chairman of the Board of Directors	Fares AlHabbad Chief Financial Officer	Meshael Al Shayea Chief Executive Officer

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. General information - legal status and principal activities

(a) General information

Gulf Union Alahlia Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company, registered on 13 Sha'aban 1428H (corresponding to 26 August 2007) under Commercial Registration ("CR") number 2050056228. The Company's principal place of business is in Dammam, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, motor, marine, fire and engineering insurance.

On 2 Jumada II 1424H, (corresponding to 31 July 2003), the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On 29 Shaban 1428 H, (corresponding to 11 September 2007), 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 27 Jumada II 1435H, (corresponding to 27 April 2014), the Company received SAMA's approval of its request to change its license of transacting insurance and reinsurance business to insurance business.

The Company operates through six main branches and various point-of-sale stores located in the Kingdom of Saudi Arabia. Following are the CR numbers of the six branches:

Branch type	Location	CR number
Regional branch	Dammam	2050118944
Regional branch	Riyadh	1010247518
Regional branch	Jeddah	4030177933
Regional branch	Riyadh	1010238441
Regional branch	Al Khobar	2051048012
Regional branch	Jeddah	4030224075

(b) Going concern assessment

On 8 June 2022, the Company completed its rights issue amounting to Saudi Riyals 229.5 million, gross of expenses of Saudi Riyals 2.9 million. As at 31 December 2022, the accumulated losses of the Company amounted to Saudi Riyals 111.7 million and were 24% of the share capital of the Company as of that date.

Net operating cash outflows amounted to Saudi Riyals 73.8 million for the year ended 31 December 2022. Management has formulated and implemented measures since the end of 2021, as approved by the Company's Board of Directors, which include better pricing strategies for motor policies, diversification of insurance portfolio and improvement in claims management processes, among others. Such measures have resulted in better results as compared to 2021 and the Company has earned total profit for the year attributable to shareholders of Saudi Riyals 2.5 million (2021: total loss for the year attributable to shareholders of Saudi Riyals 141.2 million). Management expects that this will further reflect positively in the operational results and cash flows for 2023 and the years to come provided that the underlying projections of the business and economic conditions continue to be realized.

Management has performed an assessment of its going concern assumption and prepared these financial statements on a going concern basis. Based on the approved business plan of the Company, management believes that the Company will be able to continue its operations and meet its obligations as they fall due within the next 12 months.

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. General information - legal status and principal activities (continued)

(c) *Shareholding percentage*

The shareholding percentage of the Company at 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022	**31 December 2021**
Shareholding percentage subject to zakat	**91.7%**	95%
Shareholding percentage subject to income tax	**8.3%**	5%
	100%	100%

(d) *Merger agreement*

During the year, on 23 Safar 1444H (corresponding to 19 September 2022), the Company signed a non-binding memorandum of understanding ("MoU") with Al Sagr Cooperative Insurance Company ("Al Sagr"), a company incorporated in the Kingdom of Saudi Arabia, to evaluate a potential merger between Al Sagr and the Company. Subsequent to the reporting period, on 30 Sha'ban 1444H (corresponding to 22 March 2023, the Company signed a merger agreement with Al Sagr which is subject to the approval from the regulatory authorities and the shareholders of both Al Sagr and the Company. As per the terms of the merger agreement:

- Al Sagr shall be merged with the Company and all of its rights, obligations, assets and liabilities shall be transferred to the Company by operation of law with effect from the merger effective date;
- The Company will issue 1.15 shares in the Company for every one share in Al Sagr to Al Sagr's shareholders. This will result in issuance of 16,124,317 new ordinary shares by the Company with a par value of Saudi Riyals 10 per share; and
- The Company will issue such new shares by increasing its share capital from Saudi Riyals 458,949,280 to Saudi Riyals 620,192,450.

2. Basis of preparation

(a) *Statement of compliance*

These financial statements of the Company have been prepared 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") ("IFRS that are endorsed in the Kingdom of Saudi Arabia").

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. 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 of the Company.

In accordance with the requirements of the Regulations issued by SAMA and as per by-laws of the Company, shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising from insurance operations is transferred to the shareholders' operations in full.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The statements of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 28 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS that are endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

(b) Basis of measurement

The financial statements are prepared under the going concern basis and the historical cost convention, except as described in respective policies in Note 3.

(c) Basis of presentation

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, premiums and reinsurers' receivable - net, premiums receivable - related parties - net, prepaid expenses and other assets, accrued income on statutory deposit, accounts payable, accrued and other liabilities, reinsurers' balances payable, zakat and income tax, surplus distribution payable, accrued income payable to SAMA, reinsurers' share of outstanding claims, outstanding claims, claims incurred but not reported, additional premium reserves, other technical reserves and reinsurers' share of claims incurred but not reported. The following balances would generally be classified as non-current: investments, property and equipment, right-of-use assets, goodwill, intangible assets, statutory deposit, and employee benefit obligations. The balances which are of mixed in nature i.e. include both current and non-current portions include term deposits, reinsurers' share of unearned premiums, deferred policy acquisition costs, unearned premiums, unearned reinsurance commission and lease liabilities.

(d) Functional and presentation currency

These financial statements are expressed in Saudi Arabian Riyals ("Saudi Riyals"), which is the functional and presentation currency of the Company.

(e) Seasonality of operations

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

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistently applied for all years presented.

3.1 New and amended standards adopted by the Company

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022)**

Amendments to IFRS 3, 'business combinations' update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.

Amendments to IAS 37, 'provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

The Company did not identify a material impact as a result of these amendments.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021)**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company did not identify an impact as a result of these amendments.

- **IFRIC Agenda decision – Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)**

In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on 'Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)'. The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
- whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

The Company did not identify an impact as a result of these amendments.

3 Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company

The Company has chosen not to early adopt the following new standards, interpretations and amendments to existing standards which have been issued but not yet effective and is currently assessing their impact.

- IFRS 17, 'Insurance Contracts'

Overview

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").

I. Structure and status of the Implementation project

To ensure that insurance companies implement IFRS 17 to a high standard, SAMA issued circular 172, dated 20 December 2018 directing all insurance companies to execute a four phased approach, comprising gap assessment, financial impact assessment, implementation plan and multiple dry runs. IFRS 17 implementation project has been significantly completed under the governance of the steering committee. The Company has submitted the required documents to SAMA.

II. Significant judgements and accounting policy choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of IFRS 17 i.e. 1 January 2023:

a) Contracts within / outside the scope of IFRS 17

- IFRS 17 identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

- In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

b) Combination / unbundling of contracts

The Company does not underwrite any insurance contracts that contain embedded derivatives or distinct investment components. Currently, the Company's insurance portfolios do not contain any non-insurance components that will need to be unbundled from insurance contracts.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

c) Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded into groups of:

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

d) Measurement - Overview

IFRS 17 provides the following different measurement models:

1. The general measurement model (GMM), also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. There is no group of contracts that are expected to be measured under the general measurement model.

2. The Variable Fee Approach (VFA):

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently.

The VFA model is not applicable in the case of the Company as it does not have any contracts with direct participation features.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

II. Significant judgements and accounting policy choices (continued)

3. Premium Allocation Approach (PAA)

PAA is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the GMM or if the coverage period for each contract in the group is one year or less.

The Company may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

- the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general requirement; or
- the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company expects to use the PAA to simplify the measurement of groups of contracts on the following bases:

- **Insurance contracts:**
  The coverage period of medical, motor and marine contracts in the group of contracts is one year or less. PAA eligibility testing has been performed for the Casualty, Engineering, General Accident, Marine, Protection and Property group of contracts. The Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model.

- **Reinsurance contracts:**
  The Company reasonably expects that the resulting measurement under the PPA measurement model would not differ materially from the result of applying the general measurement model.

Measurement
On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition less insurance acquisition cash flows paid.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Accordingly, the Company expects to chose not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

Measurement (continued):

The Company will recognise the liability for incurred claims of a group of insurance contracts at the amount of the fulfillment cash flows relating to incurred claims and risk adjustment for non-financial risk. It includes gross estimated cost of claims incurred but not settled and claims incurred but not reported at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. The fulfillment cash flows will be discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

Onerous contract assessment:
If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in insurance service expense and increases the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows, determined under the GMM, that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. A loss component will be established for the amount of the loss recognised. Subsequently, the loss component will be remeasured at each reporting date as the difference between the amounts of the fulfillment cash flows determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component.

e) Significant judgements and estimates

i. Discounting methodology:

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and other financial risks to accrete interest on the liability for incurred claims.

The bottom-up approach will be used to derive the discount rate. Under this approach, the USD based risk free discount rates by The European Insurance and Occupational Pensions Authority (EIOPA) will be used as a starting point for preparing the yield curve. The Company will then further add a KSA country risk premium from the source to make the yield curve appropriate for application. The Company will use the USD volatility adjustment reported by EIOPA for Solvency II as a proxy for illiquidity premium.

The Company expects to discount the liability for incurred claims for all groups of insurance contracts.

ii. Risk adjustments for non-financial risks:

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

II. Significant judgements and accounting policy choices (continued)

ii. Risk adjustments for non-financial risks (continued):

The Company will not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The Company will adopt the PAA simplification for the calculation of liability for remaining coverage. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as onerous.

There is no prescribed approach for determining the risk adjustment for non-financial risk for each group of insurance contracts. Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and will calculate the risk adjustment for non-financial risk as the excess of the value at risk between the 70^{th} and 80^{th} percentile (the target confidence level) over the expected present value of the future cash flows.

iii. Onerosity determination:

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company will perform the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if "facts and circumstances" indicate that there are significant changes in product pricing, product design, plans and forecasts.

The Company will establish a process to determine onerous, potentially onerous and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately.

f) Accounting policy choices

i Length of cohorts

Under the guidance of the IFRS 17 entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business. The Company has decided the length of cohort to be on an annual basis.

ii Presentation of insurance finance income or expense

In reference to the presentation in the statement of income, the Company expects to present the entire insurance finance income or expense for the period in the statement of income.

iii Unwinding of discount on risk adjustment

In reference to the presentation in the statement of income – in respect of disaggregation of risk adjustment, the Company expects that the entire risk adjustment will be presented in the insurance service results.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

f) Accounting policy choices (continued)

iv Expense attribution

The Company will perform regular expense studies to determine the extent to which fixed and variable overheads are directly attributable to fulfill the insurance contracts.

v Deferral of acquisition costs

In reference to the recognition of acquisition costs, the Company expects to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.

g) Presentation and Disclosure

Presentation:

The Company's expected policy guidelines, related to financial statements and disclosures preparation process are as follows:

Statement of income:
The Company is required to disaggregate the amounts recognized in the statement of income into insurance revenue, insurance service expenses and insurance finance income or expense. A mandatory subtotal called insurance service result will include insurance revenue, insurance service expenses and results from reinsurance contracts for which there is an option in the standard to present reinsurance cessions and recoveries separately or present them net as a single line item. Based on the Company' assessment, the Company will optto present it separately. Furthermore, the insurance finance income and expenses related to insurance contracts issued and reinsurance contracts held shall also be presented separately.

- Insurance Revenue

For PAA, the insurance revenue for the period is the amount of expected premium receipts allocated to the period, excluding any investment component. The allocation of insurance revenue for the period under PAA will be performed based on the passage of time.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 17, 'Insurance Contracts'** (continued)

II. Significant judgements and accounting policy choices (continued)

g) Presentation and Disclosure (continued)

● Insurance Service Expenses

The Company's insurance service expenses will comprise the following items:

(a) Incurred claims and other incurred insurance service expenses;
(b) Amortization of insurance acquisition cash flows;
(c) Changes that relate to past service i.e. changes in fulfillment cash flows relating to the LIC; and
(d) Changes that relate to future service i.e. losses on onerous groups of contracts and reversals of such losses.

Changes that relate to past service refers to changes in fulfillment cash flows relating to the LIC. Any development to the incurred claims, including changes in expected cash flows as well as risk adjustment, will be reported in the insurance service expenses.

● Insurance Finance Income and Expenses (IFIE)

For the presentation purposes, the Company expects to include all insurance finance income of expenses for the period in the profit or loss. Furthermore, the Company will be required to present the IFIE related to insurance contracts issued and reinsurance contracts held on the face of statement of income.

<u>Statement of financial position:</u>
The Company will present the following line items separately in the statement of financial position as required by IFRS 17:

- Insurance contracts that are assets;
- Insurance contracts that are liabilities;
- Reinsurance contracts held that are assets; and
- Reinsurance contracts held that are liabilities.

● Disclosures

IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance contracts and reinsurance contracts, disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements. As all of the Company's products are expected to be eligible under PAA, following are the key disclosures required by IFRS 17 under PAA:

1. Reconciliation for changes in LRC, LIC, risk adjustment and loss component;
2. Risk framework; and
3. Sensitivity analysis.

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

h) Transition

On the date of initial application, 1 January 2023, IFRS 17 should be applied retrospectively. Where the full retrospective approach is impracticable, IFRS 17 allows for alternative transition methods.

The Company has determined that reasonable and supportable information is available for all contracts in force at the transition date. In addition, as the contracts are eligible for the PAA, the Company has concluded that only current and prospective information will be required to reflect circumstances at the transition date, which will make the full retrospective application practicable and, hence, the only available option for insurance contracts issued by the Company.

Accordingly, the Company will:

- identify, recognise and measure each group of insurance contracts and any assets for insurance acquisition cash flows as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist if IFRS 17 had always applied; and
- recognise any resulting net difference in opening equity.

III. Transition impact

The Company estimates that on adoption of IFRS 17 the impact (before zakat and income tax) is an increase in the Company's total equity by Saudi Riyals 6.4 million as at 1 January 2022. The overall increase in net equity is principally on account of change in methodology for computing loss component adjustment under IFRS 17 requirements, as compared to premium deficiency reserve under IFRS 4. The impact on total equity as at 1 January 2023 is currently being estimated and shall be disclosed in the condensed interim financial statements for the period ending 31 March 2023.

	1 January 2022
Estimated (reduction) increase in the Company's total equity	
Change in measurement of reinsurance contract assets	5,550,509
Change in measurement of insurance contract liabilities	834,569
Estimated impact of adoption of IFRS 17 before zakat and income tax (Note A)	**6,385,078**

	1 January 2022
Estimated increase (reduction) in the Company's total assets	
Loss component	1,708,878
Risk adjustment	2,538,666
Discounting	(264,622)
Impairment of reinsurer balances	1,567,587
Estimated impact of adoption of IFRS 17 on total assets	**5,550,509**

	1 January 2022
Estimated (increase) reduction in the Company's total liabilities	
Loss component	11,287,134
Risk adjustment	(9,376,908)
Discounting	1,752,785
Impairment of premiums receivable	(2,828,442)
Estimated impact of adoption of IFRS 17 on total liabilities	**834,569**

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- IFRS 9, 'Financial Instruments'

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply IFRS 9 for the first time on 1 January 2023.

1. Financial assets – Classification

The Company conducted a preliminary IFRS 9 Classification and Measurement assessment ("C&M") for the financial assets held as at 31 December 2021. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVTPL, and for investment in equity instruments, a financial asset is classified on the basis of both:

a. the entity's business model for managing the financial asset; and
b. the contractual cash flow characteristics of the financial asset.

The classification and measurement review exercise in the Company consists of two parts:

- A **business model assessment** based on fact patterns discussed and agreed with management; and
- A **contractual cash flows** characteristics assessment based on a thorough review of a sample of specifically selected contracts to provide a provisional conclusion on whether or not the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the "SPPI assessment").

2. Financial assets - Impairment

Under IFRS 9, the Expected credit loss ("ECL") allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted to present value.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9, 'Financial Instruments'** (continued)

2. Financial assets – Impairment (continued)

Probability of Default ('PD')
The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')
Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')
The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate
While estimating the ECL, the Group will review macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company will analyze the relationship between key economic trends with the estimate of PD.

IFRS 9 impairment applies to financial instruments that are not measured at fair value through profit or loss ("FVTPL"). Equity instruments measured at fair value through other comprehensive income ("FVOCI") are also excluded from the purview of impairment.

Financial assets that are subject to impairment consist of investment portfolio (debts and equity instruments), term deposits, statutory deposits and cash and cash equivalents.

3. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in Other Comprehensive Income (OCI);
- The remaining amount of the change in the fair value is presented in the statement of income.

There is no impact expected on financial liabilities as a result of IFRS 9 transition.

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **IFRS 9, 'Financial Instruments'** (continued)

4. Transition

Estimated Change in the Company's total equity due to initial application of IFRS 9

The Company estimates that on adoption of IFRS 9 the impact (before zakat and income tax) is an increase in the Company's total equity by Saudi Riyals 4.7 million as at 1 January 2022. Reclassification of certain financial assets (classified as available-for-sale (AFS) under IAS 39 to FVTPL under IFRS 9) will result in the transfer of respective fair value reserve to accumulated losses with no impact on total equity. The transfer as at 1 January 2022 is expected to be a decrease in accumulated losses and fair value reserve of Saudi Riyals 13.4 million.

The impact on total equity as at 1 January 2023 is currently being estimated and shall be disclosed in the condensed interim financial statements for the period ending 31 March 2023.

	1 January 2022
Estimated increase in the Company's total equity	
Change in classification of financial assets from AFS to amortised cost	**4,704,427**
Impairment of financial assets	**(21,807)**
Estimated impact of adoption of IFRS 9 before zakat and income tax (Note B)	**4,682,620**

The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 9 on the Company could vary from this estimate. The Company continues to refine models, methodologies and systems and monitor regulatory developments in advance of IFRS 9 adoption on 1 January 2023.

A. Overall impact on total equity on transition to IFRS 17 and IFRS 9

The Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes (before zakat and income tax) is an increase in the Company's total equity by Saudi Riyals 11.1 million as at 1 January 2022.

	1 January 2022
Estimated increase in the Company's total equity on transition to:	
IFRS 17 (see note A)	**6,385,078**
IFRS 9 (see note B)	**4,682,620**
Estimated impact of adoption of IFRS 17 before zakat and income tax	**11,067,698**

- **Amendment to IFRS 16 – Leases on sale and leaseback**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Effective date:

Annual periods beginning on or after 1 January 2024.

3. Summary of significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company (continued)

- **Amendment to IFRS 16 – Leases on sale and leaseback** (continued)

Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

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

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

Effective date:

Deferred until accounting periods starting not earlier than 1 January 2024.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

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

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

- **Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction**

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

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

Management is currently in the process of assessing the impact of this amendment, however, no material impact is expected.

3. Summary of significant accounting policies (continued)

3.3 Insurance Contracts

Insurance contracts are contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits that would be paid if the insured event arose, with benefits payable if the insured event did not occur.

3.4 Revenue recognition

3.4.1 Recognition of premium and reinsurance commissions

Premiums and commission are recorded in the statement of income over the terms of the policies to which they relate on a pro-rata basis. The portion of premiums, reinsurance share of premiums and reinsurance commissions that will be earned in the future is reported as unearned premiums and unearned reinsurance commissions, respectively, and is deferred based on the following methods:

- Premium written in last three months of 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 premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

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

3.4.2 Commission, dividend income and other income

Commission income on short-term deposits and long-term deposits is recognised on a time proportion basis using the effective interest rate method and are disclosed under 'Investment and commission income' in statement of income. Dividend income is recognised when the right to receive a dividend is established and is included under realised gain on available-for-sale investments in the statement of income. Income from Umrah product medical, general and accident insurance fund, is recognised as other income on the basis of quarterly financial statements released by their Fund Manager i.e. The Company for Cooperative Insurance.

3. Summary of significant accounting policies (continued)

3.5 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 changes in outstanding claims in the statement of income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, 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 including related claims handling costs at reporting date. The ultimate liability maybe in excess of or less than the amount provided.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

3.6 Salvage and subrogation reimbursement

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

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

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

3.7 Reinsurance

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its products. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with reinsurance contracts.

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

3. Summary of significant accounting policies (continued)

3.7 Reinsurance (continued)

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

3.8 Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income and an unexpired risk provision is created.

3.9 Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, claims incurred but not reported ("IBNR") provision, the provision for unearned premium and additional premium reserve (including premium deficiency reserves) and other technical reserves. The outstanding claims provision and IBNR provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision for premium deficiency. Other technical reserve comprise of unallocated loss adjustment expense reserve and proportional and non-proportional reinsurance accrual reserve. Unallocated loss adjustment expense reserve is determined at the end of each reporting period and represents the estimated cost of claims processing that the Company would incur at the time of claims payout. Reinsurance accrual reserve (proportional and non-proportional) are reserves measured as the amount of reinsurance premiums, reinsurance commissions or any loss participations that have not been fully accrued.

3. Summary of significant accounting policies (continued)

3.10 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognised as an expense when incurred. Amortisation is recorded in the "Policy acquisition costs" in the statement of income.

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3.11 Premiums and reinsurers' receivable (including premium receivables from related parties)

Premiums and reinsurers' receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less an allowance for any uncollectible amounts. The carrying value of premiums and reinsurers' 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. Premiums and reinsurers' receivable are derecognised when the de-recognition criteria for financial assets have been met.

3.12 Investments

3.12.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short-term or that it has designated as available-for-sale investments. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

3.12.2 Available-for-sale investments

Available-for-sale investments are those investments that are neither held-to-maturity nor held for trading. Investments which are classified as "available for sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealised gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at cost less impairment provision.

3. Summary of significant accounting policies (continued)

3.12 Investments (continued)

3.12.3 Held-to-maturity investments

Investments, which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are subsequently measured at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

3.12.4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those investments that are bought with the intention of resale in the short term and are classified as trading investments. Such investments are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

3.13 Recognition, measurement and de-recognition

Purchase and sale of available-for-sale investments is recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Financial assets at fair value through profit or loss are measured and carried at fair value. Unrealised gains and losses are included in the statement of income.

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income.

Loans and receivables and held-to-maturity investments are carried at amortised costs less provision for impairment in value.

Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets are derecognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as ‘Investment and commission income’.

3. Summary of significant accounting policies (continued)

3.14 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a currently enforceable legal 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 are not off-set in the statement of income unless required or permitted by any accounting standard or interpretation.

3.15 Trade date accounting

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

3.16 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Dividends on available-for-sale investments are recognised in the statement of income, when the Company's right to receive payments is established.

3.17 Impairment of financial assets

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

Evidence of impairment may include:

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

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

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

3. Summary of significant accounting policies (continued)

3.17 Impairment of financial assets (continued)

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

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

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

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

3.18 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective commission rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statements of income.

3. Summary of significant accounting policies (continued)

3.19 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGU, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in the statement of income.

3.20 Dividend distribution

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

3.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with less than three months maturity from the date of acquisition.

3.22 Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the reporting date. All differences are taken to the statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available-for-sale investments are recognised in the statement of income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3. Summary of significant accounting policies (continued)

3.23 Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

For any inter-segment transactions, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' operations is a non-operating segment, where, income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis

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

3.24 Short-term and long-term deposits

Short-term deposits are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement.

Long-term deposit represents deposit with maturity of more than one year from the date of placement and is placed with a financial institution carrying commission income.

3.25 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial year in which they are incurred.

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

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

3. Summary of significant accounting policies (continued)

3.26 Intangible assets and Goodwill

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Intangible assets with an infinite useful life are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill arising on acquisition of a business is presented as a separate financial statement line item on the statement of financial position.

Goodwill arising on acquisition of a business is carried at cost as at the acquisition date. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the merger date, allocated to the cash-generating units ("CGU") that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on pro-rata based on the carrying amount of each asset in the CGU.

Any impairment loss is recognised immediately in the statement of income. Impairment of goodwill is not subsequently reversed.

Intangible assets acquired separately are initially recognised and measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, where applicable.

3.27 Leases

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

3. Summary of significant accounting policies (continued)

3.27 Leases (continued)

Lease liabilities (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (RoU)

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related RoU asset, unless those costs are incurred to produce inventories.

3. Summary of significant accounting policies (continued)

3.27 Leases (continued)

Right-of-use assets (RoU) (continued)

RoU assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 “Impairment of Assets” to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

3.28 Provisions and other liabilities

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.29 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income and while unwinding of the liability at discount rates used are recorded in the statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in the statement of comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in statement of income as past service costs. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

3. Summary of significant accounting policies (continued)

3.30 Zakat and income tax

The Company is subject to zakat and income tax 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. Income taxes are computed on the foreign shareholders' share of adjusted net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

a) Zakat

The Company is subject to zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

b) Income tax

The income tax expense or credit for the period is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, and is charged to the statement of income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

c) Deferred tax

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, and for the carry forward losses in the financial statements, if any. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

3. Summary of significant accounting policies (continued)

3.31 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of an entity comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the entity acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration, if any, is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value as of the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in general and administrative expenses in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

3.31 Business combination (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities incurred and / or assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

4. Goodwill

The goodwill arising from the merger is attributable to the expected synergies from combining the operations of the Company and Al Ahlia and cannot be assigned to any other determinable and separate provisional intangible asset. Goodwill is allocated to the Company as a single cash generating unit ("CGU"), being the combined operations of the Company and Al Ahlia. Management's judgment to allocate goodwill to the Company considered the broader reason for which acquisition was made, i.e. synergies from combining the operations. The Company tests the goodwill for impairment on an annual basis. For the impairment testing, management determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years' approved business plan, and use of an appropriate discount rate applicable to the circumstances of the Company. Cash flows beyond the five-years period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. The calculation of value in use is most sensitive to the assumptions of gross premiums written growth, average claims ratio, discount rate and terminal growth rate. Key assumptions underlying the projections are:

Key assumptions	**%**
Gross premiums written growth	5.8
Average claims ratio	78.1
Discount rate	11.3
Terminal growth rate	2.0

Although management believes that the assumptions used to evaluate potential impairment are reasonable, such assumptions are inherently subjective. Based on the assumptions made, the expected discounted future cash flows exceed the carrying amount of goodwill and accordingly no impairment has been recognised.

Sensitivity to the changes in assumptions

The estimated recoverable amount of the CGU exceeded its carrying value by approximately Saudi Riyals 80.2 million. Management has identified that a reasonably possible change in the below given key assumptions could cause the carrying amount to exceed the recoverable amount.

4. Goodwill (continued)

Gross premiums written growth

The gross premiums written growth in the forecast period has been estimated to be a compound annual growth rate of 5.8%. If all other assumptions kept the same, a reduction of this growth rate from 5.8% to 4.0% would give a value in use equal to the current carrying amount.

Average claims ratio

The average claims ratio in the forecast period has been estimated to be 78.1%. If all other assumptions kept the same, an increase of this ratio from 78.1% to 81.2% would give a value in use equal to the current carrying amount.

Discount rate

The discount rate used to calculate the present value of future cashflows in the forecast period has been estimated to be 11.3%. If all other assumptions kept the same, an increase of this ratio from 11.3% to approximately 12.8% would give a value in use equal to the current carrying amount.

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the other key assumptions above would cause the carrying value of CGU including goodwill to materially exceed its recoverable amount.

5. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

i) Financial assets - investments and loans and receivables

For held-to-maturity investments and financial assets designated as loans and receivables, the Company has performed an assessment in accordance with its accounting policy to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. These include factors such as significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization etc. For available-for-sale investments, the Company has performed an assessment to determine whether there is a significant decline in the fair value of available-for-sale investments to below cost along with other qualitative factors such as prolonged decline in the value of investments for equity instruments and / or occurrence of a credit default event in case of debt instruments.

ii) Liability arising from claims made under insurance contracts

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Refer to Note 28.1 for a sensitivity analysis in relation to significant assumptions.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis. The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

iii) Impairment of premiums and reinsurers' receivable

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

5. Significant accounting judgments, estimates and assumptions (continued)

iv) Fair value of financial instruments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

v) Right-of-use assets and lease liabilities

Extension and termination options are included in leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

vi) Impairment testing of goodwill

The Company's management tests, on an annual basis, whether goodwill arising on merger has suffered any impairment. This requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The key assumptions used in determining the recoverable amounts are set out in Note 4.

6. Segmental information

Results for property, marine, engineering, and general accident have been aggregated as property and casualty and all other lines have been aggregated as protection and savings line of business respectively. There was no change in the basis of segmentation during the year ended 31 December 2022.

Segment results do not include general and administration expenses, (allowance) reversal of allowance for doubtful debts, investment, and commission income, realised gain (loss) on investments, finance costs and other income.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums and reinsurers' receivable - net, premiums receivable - related parties - net, investments, due from a related party - net, prepaid expenses and other assets, long-term deposits, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, lease liabilities, employee benefit obligations, zakat and income tax, surplus distribution payable and accrued commission income payable to SAMA. 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 Company's information is presented into business units based on their products and services in the following segments:

- Medical;
- Motor;
- Property and casualty; and
- Protections and savings.

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
31 December 2022	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Assets							
Reinsurers' share of unearned premiums	-	15,703,171	19,874,477	-	35,577,648	-	35,577,648
Reinsurers' share of outstanding claims	175,989	7,440,766	23,155,714	-	30,772,469	-	30,772,469
Reinsurers' share of claims incurred but not reported	3,894,570	4,410,385	2,501,392	-	10,806,347	-	10,806,347
Deferred policy acquisition costs	5,056,221	7,876,100	5,826,422	-	18,758,743	-	18,758,743
Segment assets	9,126,780	35,430,422	51,358,005	-	95,915,207	-	95,915,207
Unallocated assets					424,736,158	533,044,019	957,780,177
Total assets					520,651,365	533,044,019	1,053,695,384
Total liabilities							
Unearned premiums	124,426,634	113,309,069	45,380,855	-	283,116,558	-	283,116,558
Unearned reinsurance commission	-	3,316,763	5,691,753	-	9,008,516	-	9,008,516
Outstanding claims	9,771,757	46,881,264	41,097,395	-	97,750,416	-	97,750,416
Claims incurred but not reported	62,556,207	20,573,186	9,655,711	-	92,785,104	-	92,785,104
Additional premium reserves	-	16,050,592	1,155,273	-	17,205,865	-	17,205,865
Other technical reserves	5,133,392	2,559,149	1,864,670	-	9,557,211	-	9,557,211
Segment liabilities	201,887,990	202,690,023	104,845,657	-	509,423,670	-	509,423,670
Unallocated liabilities and equity					159,252,278	385,019,436	544,271,714
Total liabilities and equity					668,675,948	385,019,436	1,053,695,384

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
31 December 2021	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Assets							
Reinsurers' share of unearned premiums	-	26,910,825	17,090,696	-	44,001,521	-	44,001,521
Reinsurers' share of outstanding claims	175,989	12,977,197	21,077,011	-	34,230,197	-	34,230,197
Reinsurers' share of claims incurred but not reported	7,679,230	5,852,711	7,914,475	-	21,446,416	-	21,446,416
Deferred policy acquisition costs	6,847,593	6,478,136	3,907,143	-	17,232,872	-	17,232,872
Segment assets	14,702,812	52,218,869	49,989,325	-	116,911,006	-	116,911,006
Unallocated assets					447,939,427	365,906,596	813,846,023
Total assets					564,850,433	365,906,596	930,757,029
Total liabilities							
Unearned premiums	112,185,331	108,065,758	35,745,084	-	255,996,173	-	255,996,173
Unearned reinsurance commission	-	5,255,283	5,087,676	-	10,342,959	-	10,342,959
Outstanding claims	21,366,735	26,238,457	46,389,793	-	93,994,985	-	93,994,985
Claims incurred but not reported	126,019,918	41,810,839	19,017,212	-	186,847,969	-	186,847,969
Additional premium reserves	7,338,707	14,114,751	566,105	-	22,019,563	-	22,019,563
Other technical reserves	10,718,891	4,803,164	2,461,983	-	17,984,038	-	17,984,038
Segment liabilities	277,629,582	200,288,252	109,267,853	-	587,185,687	-	587,185,687
Unallocated liabilities and equity					185,490,046	158,081,296	343,571,342
Total liabilities and equity					772,675,733	158,081,296	930,757,029

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
For the year ended 31 December 2022	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
REVENUES							
Gross premiums written	230,345,341	224,156,577	93,928,867	-	548,430,785	-	548,430,785
Reinsurance premiums ceded:							
- Foreign	-	(31,643,173)	(38,954,017)	-	(70,597,190)	-	(70,597,190)
- Local	-	(550,173)	(11,768,897)	-	(12,319,070)	-	(12,319,070)
Excess of loss expenses:							
- Foreign	(7,426,250)	(2,132,169)	(1,227,603)	-	(10,786,022)	-	(10,786,022)
- Local	(3,254,685)	(980,759)	(1,017,547)	-	(5,252,991)	-	(5,252,991)
Net premiums written	219,664,406	188,850,303	40,960,803	-	449,475,512	-	449,475,512
Changes in unearned premiums	(12,241,300)	(5,243,310)	(9,635,775)	-	(27,120,385)	-	(27,120,385)
Changes in reinsurers' share of unearned premiums	-	(11,207,656)	2,783,783	-	(8,423,873)	-	(8,423,873)
Net premiums earned	207,423,106	172,399,337	34,108,811	-	413,931,254	-	413,931,254
Reinsurance commissions	-	7,954,059	12,430,138	-	20,384,197	-	20,384,197
Fee income from insurance	21,705	59,072	431,325	-	512,102	-	512,102
Total revenues	207,444,811	180,412,468	46,970,274	-	434,827,553	-	434,827,553
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(221,121,574)	(217,489,663)	(18,700,018)	-	(457,311,255)	-	(457,311,255)
Reinsurers' share of gross claims paid	13,254,077	50,014,211	8,484,481	-	71,752,769	-	71,752,769
Expenses incurred related to claims	(4,327,712)	(200,000)	-	-	(4,527,712)	-	(4,527,712)
Net claims and other benefits paid	(212,195,209)	(167,675,452)	(10,215,537)	-	(390,086,198)	-	(390,086,198)
Changes in outstanding claims	11,594,977	(20,642,806)	5,292,398		(3,755,431)	-	(3,755,431)
Changes in reinsurers' share of outstanding claims	-	(5,536,426)	2,078,698	-	(3,457,728)	-	(3,457,728)
Changes in claims incurred but not reported	63,463,711	21,237,654	9,361,500	-	94,062,865	-	94,062,865
Changes in reinsurers' share of claims incurred but not reported	(3,784,660)	(1,442,326)	(5,413,083)	-	(10,640,069)	-	(10,640,069)
Net claims and other benefits incurred	(140,921,181)	(174,059,356)	1,103,976	-	(313,876,561)	-	(313,876,561)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
For the year ended 31 December 2022	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(12,358,073)	(14,186,103)	(7,547,879)	-	(34,092,055)	-	(34,092,055)
Changes in additional premium reserves	7,338,707	(1,935,840)	(589,169)	-	4,813,698	-	4,813,698
Changes in other technical reserves	4,450,918	3,378,598	597,311	-	8,426,827	-	8,426,827
Other underwriting expenses	-	(24,097,073)	-	-	(24,097,073)	-	(24,097,073)
Total underwriting costs and expenses, net	(141,489,629)	(210,899,774)	(6,435,761)	-	(358,825,164)	-	(358,825,164)
NET UNDERWRITING INCOME (LOSS)	65,955,182	(30,487,306)	40,534,513	-	76,002,389	-	76,002,389
OTHER OPERATING LOSS							
Allowance for doubtful debts					(1,010,085)	-	(1,010,085)
General and administrative expenses					(93,538,357)	(12,594,613)	(106,132,970)
Investment and commission income					5,767,547	14,360,679	20,128,226
Finance costs					(664,667)	-	(664,667)
Other income					16,507,060	-	16,507,060
Total other operating (loss) income, net					(72,938,502)	1,766,066	(71,172,436)
Total income for the year before surplus attribution, zakat and income tax					3,063,887	1,766,066	4,829,953
Surplus attributed to the insurance operations					(2,757,498)	2,757,498	-
Total income for the year before zakat and income tax					306,389	4,523,564	4,829,953
Net income attributable to insurance operations transferred to surplus payable					(306,389)	-	(306,389)
Zakat expense					-	(2,000,000)	(2,000,000)
Income tax expense					-	-	-
Total income for the year attributable to the shareholders					-	2,523,564	2,523,564

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
For the year ended 31 December 2021	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
REVENUES							
Gross premiums written	260,260,476	229,689,914	82,572,660	-	572,523,050	-	572,523,050
Reinsurance premiums ceded:							
- Foreign	-	(50,589,674)	(44,442,256)	-	(95,031,930)	-	(95,031,930)
- Local	-	(6,221,986)	(6,104,557)	-	(12,326,543)	-	(12,326,543)
Excess of loss expenses:							
- Foreign	(14,018,806)	(4,557,867)	(2,297,094)	-	(20,873,767)	-	(20,873,767)
- Local	(1,050,000)	(251,653)	(276,005)	-	(1,577,658)	-	(1,577,658)
Net premiums written	245,191,670	168,068,734	29,452,748	-	442,713,152	-	442,713,152
Changes in unearned premiums	113,376,906	(936,467)	7,152,189	-	119,592,628	-	119,592,628
Changes in reinsurers' share of unearned premiums	-	10,055,373	(2,528,650)	-	7,526,723	-	7,526,723
Net premiums earned	358,568,576	177,187,640	34,076,287	-	569,832,503	-	569,832,503
Reinsurance commissions	-	8,732,589	15,423,429	-	24,156,018	-	24,156,018
Fee income from insurance	27,550	53,015	327,878	-	408,443	-	408,443
Total revenues	358,596,126	185,973,244	49,827,594	-	594,396,964	-	594,396,964
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(396,612,329)	(199,939,324)	(27,128,378)	-	(623,680,031)	-	(623,680,031)
Reinsurers' share of gross claims paid	30,005,783	44,170,819	15,526,713	-	89,703,315	-	89,703,315
Expenses incurred related to claims	(7,210,055)	(5,043,173)	-	-	(12,253,228)	-	(12,253,228)
Net claims and other benefits paid	(373,816,601)	(160,811,678)	(11,601,665)	-	(546,229,944)	-	(546,229,944)
Changes in outstanding claims	(6,877,908)	7,654,937	9,970,546	-	10,747,575	-	10,747,575
Changes in reinsurers' share of outstanding claims	(381,922)	(1,917,291)	(11,959,697)	-	(14,258,910)	-	(14,258,910)
Changes in claims incurred but not reported	(10,428,015)	(1,941,106)	(3,580,934)	-	(15,950,055)	-	(15,950,055)
Changes in reinsurers' share of claims incurred but not reported	1,178,422	818,177	(613,174)	-	1,383,425	-	1,383,425
Net claims and other benefits incurred	(390,326,024)	(156,196,961)	(17,784,924)	-	(564,307,909)	-	(564,307,909)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

	Insurance operations						
For the year ended 31 December 2021	**Medical**	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(29,886,356)	(15,340,046)	(7,186,823)	-	(52,413,225)	-	(52,413,225)
Changes in additional premium reserves	(6,541,894)	(3,616,173)	(566,105)	-	(10,724,172)	-	(10,724,172)
Changes in other technical reserves	(3,957,732)	(1,662,575)	(1,152,138)	-	(6,772,445)	-	(6,772,445)
Other underwriting expenses	(1,871,352)	(1,000,074)	(5,058,871)	-	(7,930,297)	-	(7,930,297)
Total underwriting costs and expenses, net	(432,583,358)	(177,815,829)	(31,748,861)	-	(642,148,048)		(642,148,048)
NET UNDERWRITING (LOSS) INCOME	(73,987,232)	8,157,415	18,078,733	-	(47,751,084)	-	(47,751,084)
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					(2,627,528)	-	(2,627,528)
General and administrative expenses					(110,301,860)	(3,287,141)	(113,589,001)
Investment and commission income					6,518,482	11,236,759	17,755,241
Finance costs					(624,886)	-	(624,886)
					7,647,999	-	7,647,999
Total other operating (expenses) income, net					(99,387,793)	7,949,618	(91,438,175)
Total (loss) income for the year before surplus attribution, zakat and income tax					(147,138,877)	7,949,618	(139,189,259)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the year before zakat and income tax					(147,138,877)	7,949,618	(139,189,259)
Zakat expense					-	(2,000,000)	(2,000,000)
Income tax expense					-	-	-
Total (loss) income for the year attributable to the shareholders					(147,138,877)	5,949,618	(141,189,259)

(All amounts expressed in Saudi Riyals unless otherwise stated)

6. Segmental information (continued)

Gross written premium for the year ended 31 December 2022 can be categorized in following client categories:

	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	**58,277,292**	**50,380,304**	**42,657,985**	**-**	**151,315,581**
Medium corporates	**34,046,198**	**60,596,962**	**24,545,997**	**-**	**119,189,157**
Small enterprises	**36,358,845**	**24,799,916**	**5,485,798**	**-**	**66,644,559**
Micro enterprises	**48,902,277**	**2,876,491**	**871,961**	**-**	**52,650,729**
Retail	**52,760,729**	**85,502,904**	**20,367,126**	**-**	**158,630,759**
	230,345,341	**224,156,577**	**93,928,867**	**-**	**548,430,785**

Gross written premium for the year ended 31 December 2021 can be categorized in following client categories:

	Medical	Motor	Property and casualty	Protection and savings	Total
Large corporates	60,401,737	66,821,672	44,732,112	-	171,955,521
Medium corporates	31,951,548	134,291,716	20,070,248	-	186,313,512
Small enterprises	61,414,082	21,271,781	6,337,362	-	89,023,225
Micro enterprises	99,157,830	4,674,446	959,814	-	104,792,090
Retail	7,335,279	2,630,299	10,473,124	-	20,438,702
	260,260,476	229,689,914	82,572,660	-	572,523,050

7. Cash and cash equivalents

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

	Insurance operations	
	31 December 2022	**31 December 2021**
Cash on hand	**-**	20,190
Cash at banks - current accounts	**28,585,816**	10,366,715
Time deposits	**-**	30,279,792
	28,585,816	40,666,697

	Shareholders' operations	
	31 December 2022	**31 December 2021**
Cash at banks - current accounts	**31,736,411**	2,999,940
Time deposits	**40,000,000**	71,315,456
	71,736,411	74,315,396
Total cash and cash equivalents	**100,322,227**	114,982,093

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Cash and cash equivalents (continued)

Cash at banks is placed with counterparties with sound credit ratings. As at 31 December 2022, time deposits were placed with local banks and financial institutions with original maturities of less than three months from the date of placement and earned commission income at an average rate of 3% to 6% per annum (31 December 2021: 4.25% to 6%) per annum.

8. Premiums and reinsurers' receivable - net

	31 December 2022	31 December 2021
Premiums receivable from policyholders	**187,048,326**	148,699,770
Premiums receivable from brokers	**24,204,657**	27,934,934
Receivable from reinsurance companies	**17,245,885**	35,540,016
	228,498,868	212,174,720
Allowance for doubtful debts:		
Receivable from policyholders	**(42,659,975)**	(41,393,582)
Receivable from brokers	**(4,194,742)**	(4,273,816)
Receivable from reinsurance companies	**(5,320,199)**	(5,283,982)
	(52,174,916)	(50,951,380)
	176,323,952	161,223,340

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

	31 December 2022	31 December 2021
1 January	**50,951,380**	48,962,389
Charge for the year, net	**1,223,536**	2,870,788
Written-off during the year	**-**	(881,797)
31 December	**52,174,916**	50,951,380

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

2022			Past due and impaired		
Premium and reinsurers' receivables	**Total**	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
Policyholders	**187,048,326**	**107,681,104**	**15,939,490**	**8,723,945**	**54,703,787**
Brokers	**24,204,657**	**14,406,490**	**1,492,545**	**2,747,584**	**5,558,038**
Reinsurance companies	**17,245,885**	**3,081,001**	**4,556,748**	**2,934,512**	**6,673,624**
	228,498,868	**125,168,595**	**21,988,783**	**14,406,041**	**66,935,449**
Provision for doubtful debts					
Policyholders	**(42,659,975)**	**-**	**(677,191)**	**(739,919)**	**(41,242,865)**
Brokers	**(4,194,742)**	**-**	**(197,630)**	**(232,231)**	**(3,764,881)**
Reinsurance companies	**(5,320,199)**	**-**	**-**	**(238,058)**	**(5,082,141)**
	(52,174,916)	**-**	**(874,821)**	**(1,210,208)**	**(50,089,887)**

8. Premiums and reinsurers' receivable - net (continued)

2021			**Past due and impaired**		
Premium and reinsurers' receivables	**Total**	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
Policyholders	148,699,770	79,180,063	10,150,262	7,883,037	51,486,408
Brokers	27,934,934	16,743,772	1,596,031	4,053,809	5,541,322
Reinsurance companies	35,540,016	13,533,806	6,612,454	4,986,026	10,407,730
	212,174,720	109,457,641	18,358,747	16,922,872	67,435,460
Provision for doubtful debts					
Policyholders	41,393,582	-	1,174,933	1,068,533	39,150,116
Brokers	4,273,816	-	249,208	413,862	3,610,746
Reinsurance companies	5,283,982	-	-	90,134	5,193,848
	50,951,380	-	1,424,141	1,572,529	47,954,710

Premium and reinsurers' receivable outstanding above 90 days amounted to Saudi Riyals 103.3 million (2021: Saudi Riyals 102.7 million) against which a provision of Saudi Riyals 52.2 million (2021: Saudi Riyals 50.9 million) was established.

The Company only enters into insurance and reinsurance contracts with recognised, 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.

Receivables comprise a large number of customers, intermediaries and reinsurance companies mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Middle East and Europe. All receivables are in Saudi Riyals. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount.

8. Premiums receivable - related parties - net

	31 December 2022	**31 December 2021**
Receivables from related parties	**8,476,391**	5,936,160
Less: provision for doubtful receivables	**(1,270,087)**	(1,483,538)
	7,206,304	4,452,622

Movement in provision for doubtful receivables is as follows:

	31 December 2022	**31 December 2021**
1 January	**1,483,538**	1,726,798
Reversal for the year	**(213,451)**	(243,260)
31 December	**1,270,087**	1,483,538

(All amounts expressed in Saudi Riyals unless otherwise stated)

9. Premiums receivable - related parties – net (continued)

			Past due and impaired		
	Total	**Neither impaired nor past due**	**91-180 days**	**181-360 days**	**More than 360 days**
31 December 2022					
Receivables from related parties	**8,476,391**	**3,360,737**	**1,820,546**	**2,599,447**	**695,661**
Provision for doubtful debts	**(1,270,087)**	**-**	**(273,082)**	**(519,701)**	**(477,304)**
	7,206,304	**3,360,737**	**1,547,464**	**2,079,746**	**218,357**
31 December 2021					
Receivables from related parties	5,936,160	1,848,377	1,617,959	1,004,153	1,465,671
Provision for doubtful debts	(1,483,538)	-	(228,903)	(198,593)	(1,056,042)
	4,452,622	1,848,377	1,389,056	805,560	409,629

Premium receivable from related parties above 90 days amounted to Saudi Riyals 5.1 million (2021: Saudi Riyals 4.1 million) against which a provision of Saudi Riyals 1.27 million (2021: Saudi Riyals 1.4 million) was established.

The Company's terms of business generally require premiums to be settled within 90 days. As at 31 December 2022, approximately 86% of receivables from related parties was due from two parties (31 December 2021: 66% due from two parties).

On the basis of past experience unimpaired premiums receivable from related parties are expected to be fully recoverable. The Company does not obtain collateral over these receivables and all receivables are, therefore, unsecured.

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Technical reserves

10.1 Outstanding claims and reserves

Movement in outstanding claims and reserves is as follows:

	2022		
	Gross	**Reinsurance**	**Net**
January 1	**186,780,089**	**(45,036,544)**	**141,743,545**
Claims paid	**(461,838,967)**	**71,752,769**	**(390,086,198)**
Claims incurred	**465,594,398**	**(68,295,041)**	**397,299,357**
December 31	**190,535,520**	**(41,578,816)**	**148,956,704**
Outstanding claims	**97,750,416**	**(30,772,469)**	**66,977,947**
Claims incurred but not reported	**92,785,104**	**(10,806,347)**	**81,978,757**
	190,535,520	**(41,578,816)**	**148,956,704**
Additional premium reserves:			
Premium deficiency reserve	**17,205,865**	**-**	**17,205,865**
Other technical reserves:			
Unallocated loss adjustment expense reserve	**9,557,211**	**-**	**9,557,211**
Outstanding claims and reserves	**217,298,596**	**(41,578,816)**	**175,719,780**

	2021		
	Gross	**Reinsurance**	**Net**
January 1	291,590,529	(69,935,523)	221,655,006
Claims paid	(635,933,259)	89,703,315	(546,229,944)
Claims incurred	625,185,684	(75,444,405)	549,741,279
December 31	280,842,954	(55,676,613)	225,166,341
Outstanding claims	93,994,985	(34,230,197)	59,764,788
Claims incurred but not reported	186,847,969	(21,446,416)	165,401,553
	280,842,954	(55,676,613)	225,166,341
Additional premium reserves:			
Premium deficiency reserve	22,019,563	-	22,019,563
Other technical reserves:			
Unallocated loss adjustment expense reserve	17,984,038	-	17,984,038
Outstanding claims and reserves	320,846,555	(55,676,613)	265,169,942

Also see Note 27.7 for the claims development disclosure.

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Technical reserves (continued)

10.2 Movement in net unearned premiums

Movement in unearned premiums comprise of the following:

	2022		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**255,996,173**	**(44,001,521)**	**211,994,652**
Balance as at the end of the year	**(283,116,558)**	**35,577,648**	**(247,538,910)**
Changes in unearned premiums	**(27,120,385)**	**(8,423,873)**	**(35,544,258)**
Premium written during the year	**548,430,785**	**(82,916,260)**	**465,514,525**
Excess of loss premiums	**-**	**(16,039,013)**	**(16,039,013)**
Net premium earned	**521,310,400**	**(107,379,146)**	**413,931,254**

	2021		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	375,588,801	(36,474,798)	339,114,003
Balance as at the end of the year	(255,996,173)	44,001,521	(211,994,652)
Changes in unearned premiums	119,592,628	7,526,723	127,119,351
Premium written during the year	572,523,050	(107,358,473)	465,164,577
Excess of loss premiums	-	(22,451,425)	(22,451,425)
Net premium earned	692,115,678	(122,283,175)	569,832,503

10.3 Movement in deferred policy acquisition costs and unearned reinsurance commission

	2022	
	Deferred policy acquisition cost	**Unearned reinsurance commission**
1 January	**17,232,872**	**10,342,959**
Incurred during the year	**35,617,926**	**19,049,754**
Amortised / earned during the year	**(34,092,055)**	**(20,384,197)**
31 December	**18,758,743**	**9,008,516**

	2021	
	Deferred policy acquisition cost	**Unearned reinsurance commission**
1 January	29,474,599	8,825,885
Incurred during the year	40,171,498	25,673,092
Amortised / earned during the year	(52,413,225)	(24,156,018)
31 December	17,232,872	10,342,959

11. Investments

a) Investments are classified as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Available-for-sale	**109,263,367**	124,878,010	**128,591,089**	117,403,853	**237,854,456**	242,281,863
Held-to-maturity	**9,931,031**	14,933,044	**19,093,300**	20,551,725	**29,024,331**	35,484,769
	119,194,398	139,811,054	**147,684,389**	137,955,578	**266,878,787**	277,766,632

b) Category wise investment analysis is as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Quoted	**109,263,367**	127,956,945	**131,744,933**	122,480,777	**241,008,300**	250,437,722
Unquoted	**9,931,031**	11,854,109	**15,939,456**	15,474,801	**25,870,487**	27,328,910
	119,194,398	139,811,054	**147,684,389**	137,955,578	**266,878,787**	277,766,632

c) The analysis of the composition of investments is as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Mutual funds	**26,371,368**	29,286,295	**50,375,011**	40,479,946	**76,746,379**	69,766,241
Ordinary shares	**-**	1,923,078	**32,164,648**	2,320,019	**32,164,648**	4,243,097
Sukuks	**92,823,030**	108,601,681	**65,144,730**	95,155,613	**157,967,760**	203,757,294
	119,194,398	139,811,054	**147,684,389**	137,955,578	**266,878,787**	277,766,632

Management has performed a review for the existence impairment indicators for investments and based on specific information, management did not identify any impairment indicators in respect of the investments.

All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 28.8 million were denominated in United States Dollars (31 December 2021: Saudi Riyals 24.7 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Investments (continued)

d) Movement in available-for-sale investments is as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
At the beginning of the year	**124,878,010**	109,187,954	**117,403,853**	114,817,528	**242,281,863**	224,005,482
Acquisitions during the year	**-**	19,288,091	**56,111,939**	10,000,000	**56,111,939**	29,288,091
Disposals during the year	**(1,923,070)**	-	**(34,781,250)**	(10,000,000)	**(36,704,320)**	(10,000,000)
Unrealized (losses) gain	**(13,691,573)**	(3,598,035)	**(10,143,453)**	2,586,325	**(23,835,026)**	(1,011,710)
Realized gains on disposals	**-**	-	**1,600,001**	140,129	**1,600,001**	140,129
Reclassified from equity to statement of profit or loss and other comprehensive income	**-**	-	**(1,600,001)**	(140,129)	**(1,600,001)**	(140,129)
At the end of year	**109,263,367**	124,878,010	**128,591,089**	117,403,853	**237,854,456**	242,281,863

e) Movement in held-to-maturity investments is as follows:

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
At the beginning of the period year	**14,933,044**	5,002,013	**20,551,725**	28,051,719	**35,484,769**	33,053,732
Transfer /acquisitions during the year	**-**	9,931,031	**-**	-	**-**	9,931,031
Redemption/disposals / transfer during the year	**(5,002,013)**	-	**(1,458,425)**	(7,499,994)	**(6,460,438)**	(7,499,994)
At the end of the year	**9,931,031**	14,933,044	**19,093,300**	20,551,725	**29,024,331**	35,484,769

f) Held-to-maturity investments are as follows:

Insurance operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost	
					31 December 2022	31 December 2021
Sukuk	Saudi Electricity Company	May 2022	Saudi Arabia	3.15%	**-**	5,002,013
Finance Fund 21	NBK Wealth Management	August 2026	Saudi Arabia	6%	**9,931,031**	9,931,031
					9,931,031	14,933,044

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Investments (continued)

f) Held-to-maturity investments are as follows: (continued)

Shareholders' operations

Security	Issuer	Maturity	Location	Profit margin	Amortised cost 31 December 2022	Amortised cost 31 December 2021
STC Sukuk	STC	September 2024	Saudi Arabia	2.49%	**2,000,000**	2,000,000
MPC - Sukuk	MPC	February 2025	Saudi Arabia	3.44%	**5,000,000**	5,000,000
Sukuk	Saudi Kuwait Finance House	June 2022	Saudi Arabia	6 months SIBOR plus 7.50%	**-**	1,458,425
Sukuk	AlAwwal energy Fund	2028	Saudi Arabia	SIBOR plus 8.2%	**12,093,300**	12,093,300
					19,093,300	20,551,725

g) Geographical concentration:

The maximum exposure to credit and price risk for available-for-sale and held-to-maturity investments at the reporting date by geographic region is as follows:

	Insurance operations 31 December 2022	Insurance operations 31 December 2021	Shareholders' operations 31 December 2022	Shareholders' operations 31 December 2021
Kingdom of Saudi Arabia	**115,991,898**	136,030,860	**122,087,467**	117,036,409
United Arab Emirates	**-**	-	**-**	10,663,253
France	**-**	-	**-**	7,089,263
Switzerland	**-**	-	**-**	3,166,653
United Kingdom	**3,202,500**	3,780,194	**25,596,922**	-
	119,194,398	139,811,054	**147,684,389**	137,955,578

12. Term deposits

Short-term deposits, amounting to Saudi Riyals 70.1 million, are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earned commission income at a rate of 3% to 6% per annum for the year ended 31 December 2022.

Long-term deposit, amounting to Saudi Riyals 90 million, represents deposit with maturity of more than one year from the date of placement and is placed with the financial institution carrying commission income at the rate of 6% and 6.5% per annum and will mature by September 2024 and August 2025, respectively.

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Prepaid expenses and other assets

	Insurance operations		Shareholders' operations		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred Najm management fee	**8,604,225**	10,395,153	-	-	**8,604,225**	10,395,153
Prepaid rent	**42,950**	518,799	-	-	**42,950**	518,799
Other prepaid expenses	**7,213,281**	2,244,242			**7,213,281**	2,244,242
Hospital deposits	**4,546,496**	4,595,702	-	-	**4,546,496**	4,595,702
Accrued investment income	**3,821,038**	2,791,286	-	2,001,550	**3,821,038**	4,792,836
Prepaid subscription fee	**2,219,687**	2,771,875	-	-	**2,219,687**	2,771,875
Deferred supervision fees	**1,193,908**	1,385,448	**4,369,051**	-	**5,562,959**	1,385,448
Employees' receivable	**131,733**	811,029	-	-	**131,733**	811,029
VAT receivable - net	-	13,531,309	-	-	-	13,531,309
Other receivables	**5,170,224**	2,923,329	**3,666,580**	1,743,442	**8,836,804**	4,666,771
	32,943,542	41,968,172	**8,035,631**	3,744,992	**40,979,173**	45,713,164

14. Property and equipment

	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Total
Cost:					
1 January	15,569,526	6,643,717	475,308	2,072,437	24,760,988
Additions	458,991	438,153	-	-	897,144
At 31 December	**16,028,517**	**7,081,870**	**475,308**	**2,072,437**	**25,658,132**
Accumulated depreciation:					
1 January	(9,851,466)	(5,579,306)	(475,308)	-	(15,906,080)
Charge for the year	(1,139,028)	(568,047)	-	(479,039)	(2,186,114)
31 December	**(10,990,494)**	**(6,147,353)**	**(475,308)**	**(479,039)**	**(18,092,194)**
Net book value:					
31 December 2022	**5,038,023**	**934,517**	**-**	**1,593,398**	**7,565,938**

(All amounts expressed in Saudi Riyals unless otherwise stated)

14. Property and equipment (continued)

	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Total
Cost:					
1 January	14,819,231	6,405,903	475,308	2,072,437	23,772,879
Additions	750,295	237,814	-	-	988,109
At 31 December	15,569,526	6,643,717	475,308	2,072,437	24,760,988
Accumulated depreciation:					
1 January	(7,881,057)	(4,646,121)	(475,308)	-	(13,002,486)
Charge for the year	(1,970,409)	(933,185)	-	-	(2,903,594)
31 December	(9,851,466)	(5,579,306)	(475,308)	-	(15,906,080)
Net book value:					
31 December 2021	5,718,060	1,064,411	-	2,072,437	8,854,908

The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

	Years
Furniture and office equipment	4 - 10
Computer equipment	4
Vehicles	4
Leasehold improvements	5

(All amounts expressed in Saudi Riyals unless otherwise stated)

15. Intangible assets

	Software	Motor pricing model	Customer Relationships	Capital work-in-progress	Total
Cost:					
1 January 2022	**24,645,264**	**23,428,000**	**12,661,000**	**-**	**60,734,264**
Additions	7,082,545	-	-	3,880,194	10,962,739
31 December 2022	**31,727,809**	**23,428,000**	**12,661,000**	**3,880,194**	**71,697,003**
Accumulated amortization:					
1 January 2022	**(11,770,515)**	**(3,625,762)**	**(1,959,440)**	**-**	**(17,355,717)**
Charge for the year	(3,717,241)	(3,346,856)	(1,808,716)	-	(8,872,813)
31 December 2022	**(15,487,756)**	**(6,972,618)**	**(3,768,156)**	**-**	**(26,228,530)**
Net book value:					
31 December 2022	**16,240,053**	**16,455,382**	**8,892,844**	**3,880,194**	**45,468,473**

	Software	Motor pricing model	Customer Relationships	Total
Cost:				
1 January 2021	20,875,036	23,428,000	12,661,000	56,964,036
Additions	3,770,228	-	-	3,770,228
31 December 2021	24,645,264	23,428,000	12,661,000	60,734,264
Accumulated amortization:				
1 January 2021	(8,768,291)	-	-	(8,768,291)
Charge for the year	(3,002,224)	(3,625,762)	(1,959,440)	(8,587,426)
31 December 2021	(11,770,515)	(3,625,762)	(1,959,440)	(17,355,717)
Net book value:				
31 December 2021	12,874,749	19,802,238	10,701,560	43,378,547

Amortisation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:	**Years**
Software	5
Motor pricing model	7
Customer relationships	7

(All amounts expressed in Saudi Riyals unless otherwise stated)

16. Right-of-use assets and lease liabilities

a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	2022		
Cost:	**Office premises**	**Point-of-sale stores**	**Total**
1 January 2022	**9,849,381**	**1,474,402**	**11,323,783**
Additions during the year	5,684,686	2,878,705	8,563,391
Termination during the year	(5,346,971)	(1,402,539)	(6,749,510)
31 December 2022	**10,187,096**	**2,950,568**	**13,137,664**
Accumulated depreciation:			
1 January 2022	**(3,074,436)**	**(665,260)**	**(3,739,696)**
Charge for the year	(2,272,037)	(755,781)	(3,027,818)
Termination during the year	740,013	337,572	1,077,585
31 December 2022	**(4,606,460)**	**(1,083,469)**	**(5,689,929)**
Net book value			
At 31 December 2022	**5,580,636**	**1,867,099**	**7,447,735**

	2021		
Cost:	**Office premises**	**Point-of-sale stores**	**Total**
1 January 2021	9,849,381	1,714,843	11,564,224
Additions during the year	-	161,287	161,287
Termination during the year	-	(401,728)	(401,728)
31 December 2021	9,849,381	1,474,402	11,323,783
Accumulated depreciation:			
1 January 2021	(1,699,648)	(585,803)	(2,285,451)
Charge for the year	(1,374,788)	(464,415)	(1,839,203)
Termination during the year	-	384,958	384,958
31 December 2021	(3,074,436)	(665,260)	(3,739,696)
Net book value			
At 31 December 2021	6,774,945	809,142	7,584,087

(All amounts expressed in Saudi Riyals unless otherwise stated)

16. Right-of-use assets and lease liabilities (continued)

a) Amounts recognised in the statement of financial position (continued)

Lease liabilities

Commitments in relation to lease obligations are payable as follows:

	31 December 2022	**31 December 2021**
Within one year	**2,074,415**	3,229,743
Later than one year but not later than five years	**4,091,339**	3,984,096
Later than five years	**1,035,760**	941,600
	7,201,514	8,155,439
Future finance costs	**(425,185)**	(1,422,629)
Total lease liabilities	**6,776,329**	6,732,810
Current	**2,024,059**	2,811,314
Non-current	**4,752,270**	3,921,496
	6,776,329	6,732,810

Movement in lease liabilities is as follows:

	2022	**2021**
1 January	**6,732,810**	7,500,772
Addition during the year	**8,563,391**	161,287
Termination during the year	**(6,763,790)**	(129,058)
Finance costs	**267,977**	275,559
	8,800,388	7,808,560
Payments during the year	**(2,024,059)**	(1,075,750)
31 December	**6,776,329**	6,732,810

b) Amounts recognised in the statement of income

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to Saudi Riyals 0.27 million for the year ended 31 December 2022. Expenses relating to short-term leases amounted to Saudi Riyals 1.9 million for the year ended 31 December 2022 (31 December 2021: Saudi Riyals 3.9 million).

c) Details for leasing activities of the Company

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 10 years, but may have extension options. The weighted average incremental borrowing rate applied to the lease liability having rage of 2.9% to 7.6%. During the year, the Company has recognised one additional rental contract as a right-of-use assets and lease liability. This rental contract is made for a period of 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes.

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. Statutory reserve

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer was made for the year ended 31 December 2022 due to accumulated deficit (31 December 2021: Nil). This reserve is not available for distribution to the shareholders until the liquidation of the Company.

18. Basic and diluted losses per share

Basic and diluted losses per share are calculated by dividing total loss for the year attributable to the shareholders by the weighted average number of outstanding shares during the year.

The weighted average number of shares has been retrospectively adjusted for the prior period to reflect the bonus element of the right issue as required by IAS 33, 'Earnings per share' as follows:

	For the year ended 31 December	
	2022	**2021**
Issued ordinary shares at 1 January	**22,947,464**	22,947,464
Rights issue adjustment	**15,591,587**	1,971,720
Weighted average number of ordinary shares	**38,539,051**	24,919,184
Total income (loss) for the period attributable to the shareholders	**2,523,564**	(141,189,259)
Weighted average number of ordinary shares for basic and diluted income per share	**38,539,051**	24,919,184
Basic and diluted earnings (losses) per share	**0.07**	(5.67)

19. 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.

Nature of transactions	**Transactions for the year ended**		**Balance receivable / (payable) as at**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Major shareholders				
Insurance premium written	**15,806,946**	13,057,848	-	-
Claims paid	**(3,267,190)**	(1,482,444)	-	-
Premium receivable from related parties	**-**	-	**8,476,391**	5,936,160
Others				
Rent expense	**(968,000)**	(880,000)	-	-

(All amounts expressed in Saudi Riyals unless otherwise stated)

19. Related party transactions and balances (continued)

a) Compensation of key management personnel

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

	31 December 2022	31 December 2021
Salaries and benefits	**6,191,213**	6,581,446
Employee benefit obligations	**302,705**	463,686
	6,493,918	7,045,132

Key management personnel includes senior manageemnt and department heads.

b) Directors' remuneration and meeting fee for the year ended December 31, 2022 was Saudi Riyals 7.2 million (December 31, 2021: Saudi Riyals 0.7 million).

c) The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is based on employment terms and as per the by-laws of the Company.

20. Zakat and income tax

a) Zakat

The current year's zakat provision is based on the following:

	2022	2021
Share capital	**224,903,276**	229,474,640
Increase in share capital	**142,151,193**	-
Reserves, opening provisions and other adjustments	**(90,496,185)**	70,423,248
Provisions	**65,336,647**	69,385,802
Book value of long-term assets	**(51,977,912)**	(21,729,657)
Investments	**(43,853,645)**	(48,698,027)
Goodwill	**(66,349,143)**	(67,697,750)
Statutory deposits	**(67,470,983)**	(34,421,196)
Adjusted net profit (loss) for the year	**10,352,018**	(132,710,435)
Zakat base	**122,595,266**	64,026,625
Zakat due at 2.578% (Saudi Shareholders' share of zakat base @ 95.42%)	**2,893,276**	1,650,606
Zakat due at 2.5% of adjusted net profit for the year	**258,800**	-
Total	**3,152,076**	1,650,606

The differences between the financial and results subject to zakat are mainly due to provisions, which are not allowed in the calculation of adjusted income. The movement in the zakat provision for the year was as follows:

	2022	2021
1 January	**20,072,948**	19,958,958
Provided during the year	**2,000,000**	2,000,000
Payments during the year	**-**	(1,886,010)
31 December	**22,072,948**	20,072,948

(All amounts expressed in Saudi Riyals unless otherwise stated)

20. Zakat and income tax (continued)

b) Income tax

	2022	2021
Total profit (loss) for the year before surplus attribution, zakat and income tax	**4,829,953**	(139,189,259)
Accounting depreciation	**14,086,745**	11,491,020
Provisions for employee benefit obligations	**2,749,625**	3,232,123
Provision for doubtful debts, net	**1,223,536**	1,798,227
Finance cost on lease	**267,977**	-
Fines and penalties paid in the Kingdom of Saudi Arabia	**487,582**	-
Provisions utilised	**(2,697,924)**	-
Tax depreciation	**(6,877,946)**	(5,113,710)
Payments of employee benefit obligations	**-**	(4,928,836)
Lease rentals paid	**(2,024,059)**	-
Brought forward losses	**(70,070)**	-
Adjusted net profit (loss) for the year	**11,975,419**	(132,710,435)
Tax at 20% (Foreign Shareholders' share @ 4.58%)	**35,994**	-

Income tax charge for the current year is calculated at 20% of the adjusted taxable income on the portion of equity owned by the foreign shareholders. The movement in the tax provision for the year was as follows:

	2022	2021
1 January	**-**	-
Adjustments related to prior years	**-**	-
Payments during the year	**-**	-
31 December	**-**	-

Combined movement of zakat and income tax was as follows:

	2022	2021
1 January	**20,072,948**	19,958,958
Adjustments related to prior years	**-**	-
Provided during the year	**2,000,000**	2,000,000
Additions from merger (Note 4)	**-**	-
Payments during the year	**-**	(1,886,010)
31 December	**22,072,948**	20,072,948

20. Zakat and income tax (continued)

c) Status of assessment

The Company has obtained Zakat and income tax certificates from the Zakat, Tax and Customs Authority (ZATCA) for the years through 2021.

The ZATCA issued a final assessment for the year 2014 with an additional Zakat liability of Saudi riyals 7.0 million. The company filed an appeal against the final assessment and received a revised assessment with an additional Zakat liability of Saudi riyals 3.3 million. The company has further filed an appeal against the revised assessment with the Tax Violations and Dispute Resolution Committee (TVDRC). The case was heard by the Committee and rendered its decision by partially accepting the Company's contention which resulted into a reduction in the Zakat liability to Saudi riyals 2.8 million. The Company filed an appeal against the TVDRC decision on the items ruled in favor of ZATCA with the Tax Violations and Dispute Appellate Committee (TVDAC) and it is currently under their review.

During 2020, the Company also received zakat and income tax assessment for the year 2015 through 2018 amounting to Saudi riyals 10.3 million. The Company has recognized an additional provision amounting to Saudi riyals 1.9 million under protest and paid such amount to ZATCA, and in parallel filed an appeal against the ZATCA's final assessment. During the three-month period ended 31 March 2022, the Company received a revised assessment with an additional Zakat liability of Saudi riyals 8.4 million. The Company has further filed an appeal against the revised assessment with the TVDRC. The case was heard by the Committee and rendered its decision by partially accepting the Company's contention which resulted into a reduction in the Zakat liability to Saudi riyals 7.2 million. The Company has filed an appeal against the TVDRC decision on the items ruled in favor of ZATCA with TVDAC and the case is currently under their review.

The final assessments for the years 2019 through 2021 are not yet issued by ZATCA. The zakat and income tax liability as computed by the Company could be different from the zakat and tax liability as assessed by the ZATCA for these years.

In 2018, Al Ahlia received zakat and income tax assessments for the years 2011 and 2012 amounting to Saudi Riyals 2.1 million. Al Ahlia filed an appeal against the ZATCA's assessment to General Secretariat of the Tax Committees ("GSTC") for which the outcome is pending. Further, during 2020, Al Ahlia received zakat and income tax assessments for the years 2015 through 2018 amounting to Saudi Riyals 9.5 million against which Al Ahlia filed an appeal to the GSTC and the outcome is pending. The zakat differences as per the initial assessments for the years 2011, 2012 and 2015 through 2018 were mainly due to the disallowances by ZATCA of certain balances related to investments, statutory deposit and adjusted accumulated losses from the zakat base. Management believes that ZATCA will reconsider the initial assessments and will allow certain deductions from the zakat base in the final assessments.

However, Al Ahlia's management has submitted a settlement request to the ZATCA for all pending assessments with an amount of Saudi Riyals 7.8 million and is of the view that the level of the existing provisions for zakat is presently sufficient. Al Ahlia had obtained zakat and income tax certificates from the ZATCA for the years through 2019 and its zakat and income tax assessment for the year 2019 is currently under review by the ZATCA.

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Employee benefit obligations

21.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	2022	**2021**
1 January	**16,927,680**	20,659,103
Current service cost	**2,352,935**	2,882,796
Finance costs	**396,690**	349,327
Payments	**(2,484,473)**	(4,928,836)
Remeasurement	**1,063,522**	(2,034,710)
31 December	**18,256,354**	16,927,680

21.2 Amounts recognised in the statements of income and comprehensive income

The amounts recognised in the statements of income and comprehensive income related to employee benefit obligations are as follows:

	2022	**2021**
Current service cost	**2,352,935**	2,882,796
Interest expense	**396,690**	349,327
Total amount recognised in the statement of income	**2,749,625**	3,232,123
Remeasurements		
Loss (gain) from change in experience adjustments	**1,063,522**	(2,034,710)
Total amount recognised in the statement of comprehensive income	**1,063,522**	(2,034,710)

21.3 Principal actuarial assumptions

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

	2022	**2021**
Discount rate	**3.50%**	2.30%
Salary growth rate	**3.50%**	2.30%

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Employee benefit obligations (continued)

21.4 Sensitivity analysis for actuarial assumptions

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

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	+0.5%	-0.5%	(634,126)	676,708
Salary growth rate	+0.5%	-0.5%	673,347	(637,106)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligation.

21.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7.1 years (2021: 7.2 years). The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Over 10 years**	**Total**
31 December 2022	**1,907,767**	**2,676,771**	**4,148,731**	**5,664,966**	**9,372,861**	**23,771,096**
31 December 2021	1,709,882	3,298,035	5,448,821	5,664,966	5,197,851	21,319,555

22. Share capital

The authorized, issued and paid up capital of the Company was Saudi Riyals 458.9 million at 31 December 2022 (31 December 2021: Saudi Riyals 229.4 million) consisting of 45.8 million shares (31 December 2021: 22.9 million shares) of Saudi Riyals 10 each.

Shareholding structure of the Company is as below.

	Authorized and issued		**Paid up**
	No. of shares	**Saudi Riyals**	
31 December 2022			
Yaqeen Capital	**12,560,668**	**125,606,680**	**125,606,680**
Gulf Union Insurance and Project Management Holding Company BSC	**2,475,000**	**24,750,000**	**24,750,000**
Others	**30,859,260**	**308,592,600**	**308,592,600**
Total	**45,894,928**	**458,949,280**	**458,949,280**

	Authorized and issued		**Paid up**
	No. of shares	**Saudi Riyals**	
31 December 2021			
Gulf Union Insurance and Project Management Holding Company BSC	2,475,000	24,750,000	24,750,000
Others	20,472,464	204,724,640	204,724,640
Total	22,947,464	229,474,640	229,474,640

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Surplus distribution payable

	2022	2021
1 January	**13,748,722**	13,748,722
Surplus transferred during the year	**306,389**	-
Surplus paid to policy holders	**(1,041,412)**	-
31 December	**13,013,699**	13,748,722

24. General and administrative expenses

	2022	2021
Salaries and benefits	**60,442,340**	57,072,069
Depreciation and amortisation (Notes 14, 15 and 16)	**14,086,745**	13,330,223
Professional fee	**7,866,771**	4,538,087
Insurance expense	**6,251,112**	5,955,865
Information technology	**2,823,140**	4,143,229
Employee benefit obligations (Note 21)	**2,352,935**	2,882,796
Rent	**1,921,762**	3,988,559
Repair and maintenance	**1,539,651**	1,778,211
Travelling	**874,629**	4,003,030
Stationary, periodicals and subscription	**235,162**	324,226
Telephone and postage	**132,863**	1,911,010
Promotion and advertising	**108,929**	80,915
Other	**7,496,931**	13,580,781
	106,132,970	113,589,001

25. Investment and commission income

	2022	2021
Available-for-sale financial assets		
Investment and dividend income	**12,611,500**	8,425,862
Deposits		
Commission income	**7,516,726**	9,329,379
	20,128,226	17,755,241

25.1. Other income

Other income includes income from the Umrah product, amounting to Saudi Riyals 12.7 million, related to medical, general and accident insurance, under an agreement which was signed together with 28 other insurance companies. The compulsory Umrah product is offered by the Ministry of Hajj and Umrah and approved by SAMA for Insurance for pilgrims coming from outside the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah.

(All amounts expressed in Saudi Riyals unless otherwise stated)

26. Fair value of financial instruments

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

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

The 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 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, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial asset and liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - available-for-sale	**76,746,379**	**-**	**-**	**76,746,379**
Sukuks - available-for-sale	**128,943,429**	**-**	**-**	**128,943,429**
Ordinary shares - available-for-sale	**28,318,492**	**-**	**3,846,156**	**32,164,648**
Financial assets not measured at fair value				
Held-to-maturity	**7,000,000**	**22,024,331**	**-**	**29,024,331**
Total investments	**241,008,300**	**22,024,331**	**3,846,156**	**266,878,787**

(All amounts expressed in Saudi Riyals unless otherwise stated)

26. Fair value of financial instruments (continued)

(a) Carrying amounts and fair value (continued)

	31 December 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - available-for-sale	48,138,850	-	-	48,138,850
Sukuks - available-for-sale	190,296,857	-	-	190,296,857
Ordinary shares - available-for-sale	-	-	3,846,156	3,846,156
Financial assets not measured at fair value				
Held-to-maturity	12,002,013	23,482,756	-	35,484,769
Total investments	250,437,720	23,482,756	3,846,156	277,766,632

During the year, there have been no transfers between level 1, level 2 and level 3.

(b) Measurement of fair values

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. The fair value of Level 2 fixed income investments and funds are taken from reliable and third-party sources. Level 3 available-for-sale investment comprises equity investment of 384,616 of Najm for Insurance Services (Najm) (2021: 384,616 shares). During the year ended 31 December 2022, Najm has issued 994,694 bonus shares on account of increase in their share capital. As at December 31, 2022 and 2021, the investment is carried at cost as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, short-term deposits, premiums and reinsurer's balances receivable - net, premium receivable - related parties - net, reinsurers' share of outstanding claims, statutory deposit, accrued income on statutory deposits and the financial labilities except employee benefit obligations are measured at amortised cost.

27. Risk management

27.1 Insurance risk

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.1 Insurance risk (continued)

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

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages this risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the statement of financial position date:

	2022				**2021**			
	Gross Outstanding claims	**Net** Outstanding claims	**Gross** Unearned premiums	**Net** Unearned premiums	**Gross** Outstanding claims	**Net** Outstanding claims	**Gross** Unearned premiums	**Net** Unearned Premiums
Medical	**10%**	**14%**	**44%**	**50%**	23%	35%	44%	53%
Motor	**48%**	**59%**	**40%**	**40%**	28%	23%	42%	38%
Property and casualty	**42%**	**27%**	**16%**	**10%**	49%	42%	14%	9%
	100%	**100%**	**100%**	**100%**	100%	100%	100%	100%

Concentration of insurance risk

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

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

27. Risk management (continued)

27.1 Insurance risk (continued)

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported at the reporting date.

Process used to decide on assumptions

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

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.1 Insurance risk (continued)

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

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

Sensitivity analysis

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

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact the income from insurance operations as follows:

	Income from insurance operations	
	2022	**2021**
Impact of change in claim ratio by + 10%		
Medical	**(6,825,741)**	(13,953,143)
Motor	**(5,560,330)**	(4,921,939)
Property and casualty	**(2,509,600)**	(3,641,552)
	(14,895,671)	(22,516,634)
Impact of change in average claim cost + 10%		
Medical	**(432,771)**	(721,006)
Motor	**(20,000)**	(504,317)
	(452,771)	(1,225,323)

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.1 Insurance risk (continued)

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income.

The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

		Impact on claim liabilities	
	Change in current year ultimate loss ratio	**2022**	**2021**
Segment			
Medical	Increase by 5%	**10,371,155**	17,928,429
Medical	Decrease by 5%	**(10,371,155)**	(17,928,429)
Motor	Increase by 5%	**8,619,967**	8,859,382
Motor	Decrease by 5%	**(8,619,967)**	(8,859,382)

27.2 Reinsurance risk

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

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

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

- Minimum acceptable credit rating by agencies that is not lower than prescribed in the Regulations;
- Reputation of particular reinsurance companies; and
- Existing or past business relationship with the reinsurer.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for reinsurance business. As at 31 December 2022, **41**% of reinsurance receivables balance was due from one party (31 December 2021: 58% due from two parties).

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

27. Risk management (continued)

27.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board of Directors gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect stock and sukuk market movements are monitored, including analysis of the operational and financial performance of investees.

a) Currency risk

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

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

b) Commission rate risk

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

An increase or decrease of 500 basis points in interest yields would result in an increase or decrease in the total loss for the year before surplus attribution, zakat and income tax of Saudi Riyals **01** million (2021: Saudi Riyals 0.6 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.3 Market risk (continued)

b) Commission rate risk (continued)

Commission and non-commission bearing investments of the Company and their maturities as at 31 December 2022 and 2021 are as follows:

2022	Commission bearing Less than 1 year	1 to 5 years	More than 5 years	Non-commission bearing	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	**1,767,113**	**-**	**-**	**26,818,703**	**28,585,816**
	1,767,113	**-**	**-**	**26,818,703**	**28,585,816**
Available-for-sale investments	**-**	**8,917,108**	**83,905,930**	**16,440,329**	**109,263,367**
Held-to-maturity investments	**-**	**9,931,031**	**-**	**-**	**9,931,031**
31 December 2022	**1,767,113**	**18,848,139**	**83,905,930**	**43,259,032**	**147,780,214**
Shareholders' operations					
Cash and cash equivalents	**40,000,000**	**-**	**-**	**31,736,411**	**71,736,411**
Term deposits	**70,092,750**	**90,000,000**	**-**	**-**	**160,092,750**
Statutory deposit	**68,842,392**	**-**	**-**	**-**	**68,842,392**
	178,935,142	**90,000,000**	**-**	**31,736,411**	**300,671,553**
Available-for-sale investments	**-**	**-**	**58,144,732**	**70,446,357**	**128,591,089**
Held-to-maturity investments	**-**	**7,000,000**	**12,093,300**	**-**	**19,093,300**
31 December 2022	**178,935,142**	**97,000,000**	**70,238,032**	**102,182,768**	**448,355,942**

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.3 Market risk (continued)

b) Commission rate risk (continued)

2021	Commission bearing: Less than 1 year	Commission bearing: 1 to 5 years	Commission bearing: More than 5 years	Non-commission bearing	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	30,279,792	-	-	10,386,905	40,666,697
	30,279,792	-	-	10,386,905	40,666,697
Available-for-sale investments	103,595,632	-	-	21,282,378	124,878,010
Held-to-maturity investments	5,002,013	9,931,031	-	-	14,933,044
31 December 2021	138,877,437	9,931,031	-	31,669,283	180,477,751
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	71,315,456	-	-	2,999,940	74,315,396
Long-term deposits	-	40,032,877	-	-	40,032,877
Statutory deposit	34,421,196	-	-	-	34,421,196
	105,736,652	40,032,877	-	2,999,940	148,769,469
Available-for-sale investments	86,697,193	-	-	30,706,660	117,403,853
Held-to-maturity investments	1,458,425	7,000,000	12,093,300	-	20,551,725
31 December 2021	193,892,270	47,032,877	12,093,300	33,706,600	286,725,047

c) Price risk

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.3 Market risk (continued)

c) Price risk (continued)

The Company's investments amounting to Saudi Riyals **272.7** million (2021: Saudi Riyals 242.3 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of a hypothetical change of a 5% increase and 5% decrease in the market prices of investments on comprehensive income would be as follows:

% change in equity price	**2022**	**2021**
+5	**13,151,631**	11,921,785
-5	**(13,151,631)**	(11,921,785)

The sensitivity analysis presented is based upon the portfolio position as at 31 December 2022 and 2021. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

27.4 Credit risk

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

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

	2022	**2021**
Insurance operations' assets		
Cash and cash equivalents	**28,585,816**	40,646,507
Premium and reinsurer's receivable	**228,498,868**	212,174,720
Premiums receivable - related parties	**8,476,391**	5,936,160
Reinsurers' share of outstanding claims	**30,772,469**	34,230,197
Reinsurers' share of claims incurred but not reported	**10,806,347**	21,446,416
Investments	**119,194,398**	139,811,054
Prepaid expenses and other assets	**8,916,679**	6,512,875
	435,250,968	460,757,929
Shareholders' assets		
Cash and cash equivalents	**71,736,411**	74,315,396
Term deposit	**160,092,750**	40,032,877
Prepaid expenses and other assets	**2,863,583**	1,691,833
Investments	**147,684,389**	137,955,578
Statutory deposits	**68,842,392**	34,421,196
Accrued income on statutory deposit	**8,954,696**	7,738,807
	460,174,221	296,155,687
Total	**895,425,189**	756,913,616

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.4 Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately all of the Company's underwriting activities are carried out in Saudi Arabia.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	Investment grade		**Satisfactory**		**Past due and impaired**	
Cash and cash equivalents	**28,585,816**	40,646,507	**-**	-	**-**	-
Premiums and reinsurers' receivable	**17,245,885**	35,540,059	**122,087,594**	95,923,792	**89,165,389**	80,710,869
Premiums receivable - related parties – net	**-**	-	**3,360,737**	1,848,377	**5,115,654**	4,087,783
Reinsurers' share of outstanding claims	**30,772,469**	34,230,197	**-**	-	**-**	-
Reinsurers' share of claims incurred but not reported	**10,806,347**	21,446,416	**-**	-	**-**	-
Prepaid expenses and other assets	**-**	-	**8,916,679**	6,512,875	**-**	-
Investments	**119,394,398**	137,887,976	**-**	1,923,078	**-**	-
Total	**206,604,915**	269,751,155	**134,365,010**	106,208,122	**94,281,043**	84,798,652

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.4 Credit risk (continued)

Concentration of credit risk (continued)

Shareholders' operations	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	Investment grade		**Satisfactory**		**Past due and impaired**	
Cash and cash equivalents	**71,736,411**	74,315,396		-		-
Term deposit	**160,092,750**	46,032,877	-	-	-	-
Prepaid expenses and other assets	-	-	**2,956,333**	1,691,833	-	-
Investments	**147,684,389**	136,032,500	-	1,923,078	-	-
Statutory deposits	**68,842,392**	34,421,196	-	-	-	-
Accrued income on statutory deposit	**8,954,696**	7,738,807	-	-	-	-
Total	**457,310,638**	298,540,776	**2,956,333**	3,614,911	-	-

Credit quality of investments as at 31 December:

	2022		**2021**	
	Insurance operations	**Shareholders' operations**	**Insurance operations**	**Shareholders' operations**
A and above	**45,122,359**	**84,021,000**	137,887,976	127,574,077
B	-	-	-	1,458,423
Not rated but considered satisfactory	**74,072,039**	**63,663,389**	1,923,078	8,923,078
	119,194,398	**147,684,389**	139,811,054	137,955,578

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets. Further, the Company manages liquidity risk as follows:

- The Company's liquidity risk policy which sets 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 Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company's undiscounted contractual obligations at 31 December 2022 and 2021. As the Company does not have any commission bearing liabilities, contractual cash flow of financial liabilities approximates their carrying value.

	2022			2021		
Insurance operations' assets	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Cash and cash equivalents	**28,585,816**	**-**	**28,585,816**	40,666,697	-	40,666,697
Premiums and reinsurers' receivable - net	**176,323,952**	**-**	**176,323,952**	161,223,340	-	161,223,340
Premiums receivable - related parties - net	**7,206,304**	**-**	**7,206,304**	4,452,622	-	4,452,622
Reinsurers' share of outstanding claims	**30,772,469**	**-**	**30,772,469**	34,230,197	-	34,230,197
Reinsurers' share of claims incurred but not reported	**10,806,347**	**-**	**10,806,347**	21,446,416	-	21,446,416
Prepaid expenses and other assets	**8,916,679**	**-**	**8,916,679**	6,512,875	-	6,512,875
Investments	**-**	**119,194,398**	**119,194,398**	129,880,023	9,931,031	139,811,054
Total	**262,611,567**	**119,194,398**	**381,805,965**	398,412,170	9,931,031	408,343,201

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.5 Liquidity Risk (continued)

	2022			**2021**		
Insurance operations' liabilities	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Accounts payable	**92,417,127**	**-**	**92,417,127**	117,346,288	-	117,346,288
Accrued and other liabilities	**29,798,289**	**-**	**29,798,289**	14,500,495	-	14,500,495
Reinsurer's balances payable	**11,637,535**	**-**	**11,637,535**	14,478,470	-	14,478,470
Outstanding claims	**97,750,416**	**-**	**97,750,416**	93,994,985	-	93,994,985
Claims incurred but not reported	**92,785,104**	**-**	**92,785,104**	186,847,969	-	186,847,969
Additional premium reserves	**17,205,865**	**-**	**17,205,865**	22,019,563	-	22,019,563
Other technical reserves	**9,557,211**	**-**	**9,557,211**	17,984,038	-	17,984,038
Lease liabilities	**2,074,415**	**5,127,099**	**7,201,514**	3,229,743	4,925,696	8,155,439
Employee benefit obligations	**1,907,767**	**21,863,329**	**23,771,096**	1,709,882	19,609,673	21,319,555
Total	**355,133,729**	**26,990,428**	**382,124,157**	472,111,433	24,535,369	496,646,802
Total liquidity gap	**(92,522,162)**	**92,203,970**	**(318,192)**	(73,699,263)	(14,604,338)	(88,303,601)

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.5 Liquidity Risk (continued)

	2022			2021		
Shareholders' operations' assets	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Cash and cash equivalents	**71,736,411**	**-**	**71,736,411**	74,315,396	-	74,315,396
Term deposits	**70,092,750**	**90,000,000**	**160,092,750**	-	40,032,877	40,032,877
Prepaid expenses and other assets	**3,666,580**	**-**	**3,666,580**	1,743,442	-	1,743,442
Investments	**-**	**147,684,389**	**147,684,389**	118,862,278	19,093,300	137,955,578
Statutory deposit		**68,842,392**	**68,842,392**	-	34,421,196	34,421,196
Accrued income on statutory deposit	**8,954,696**	**-**	**8,954,696**	7,738,807	-	7,738,807
Total	**154,450,437**	**306,526,781**	**460,977,218**	202,659,923	93,547,373	296,207,296

	2022			2021		
Shareholders' operations' liabilities	**Less than one year**	**More than one year**	**Total**	**Less than one year**	**More than one year**	**Total**
Accrued and other liabilities	**6,752,460**	**-**	**6,752,460**	352,460	-	352,460
Accrued commission income payable to SAMA	**8,954,696**	**-**	**8,954,696**	7,738,807	-	7,738,807
Total	**15,707,156**	**-**	**15,707,156**	8,091,267	-	8,091,267
Total liquidity gap	**138,743,281**	**306,526,781**	**445,270,062**	194,568,656	93,547,373	288,116,029

27.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities. Management has formulated and implemented measures, as approved by the Company's Board of Directors, which include better pricing strategies for both corporate and small and medium enterprises medical policies, diversification of insurance portfolio and improvement in claims management processes, among others. Such measures have resulted in better results as compared to 2021 and management expects that this will further reflect positively in the operational results and cash flows for 2023 and the years to come.

27. Risk management (continued)

27.6 Operational risk (continued)

The operations of the Company are subject to regulatory requirements in Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management's opinion, the Company has substantially complied with such regulatory requirements.

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

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.7 Claims development

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years spanning a number of financial years.

Claims development table gross of reinsurance:

Accident year **Estimate of ultimate claims as at 31 December 2022:**	**2017 & earlier**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At the end of accident year	1,957,197,122	213,002,984	438,596,441	571,906,479	640,483,774	406,072,624	
One year later	2,278,926,877	212,549,612	614,650,320	573,566,458	596,841,850	-	
Two years later	2,237,779,513	327,502,575	599,164,752	563,588,212	-	-	
Three years later	3,321,292,410	327,976,997	596,599,473	-	-	-	
Four years later	3,332,500,298	325,979,918	-	-	-	-	
Five years later	3,358,493,739	-	-	-	-	-	
Current estimate of cumulative Claims	3,358,493,739	325,979,918	596,599,473	563,588,212	596,841,850	406,072,624	5,847,575,816
Cumulative payments to date	(3,350,729,154)	(324,586,059)	(591,983,382)	(550,738,526)	(568,339,523)	(262,780,163)	(5,649,156,807)
Liability recognised in statement of financial position	7,764,585	1,393,859	4,616,091	12,849,686	28,502,327	143,292,461	198,419,009
Salvage and subrogation							(7,883,489)
Additional premium reserves							17,205,865
Other technical reserves							9,557,211
Outstanding claims and reserves							217,298,596

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.7 Claims development (continued)

Claims development table gross of reinsurance:

Accident year **Estimate of ultimate claims as at 31 December 2021:**	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	1,162,890,096	233,617,530	213,002,984	438,596,441	571,906,479	640,483,767	
One year later	1,723,579,592	218,679,449	212,549,612	614,650,320	573,566,458	-	
Two years later	2,060,247,428	193,979,220	327,502,575	599,164,752	-	-	
Three years later	2,043,800,293	287,261,193	327,976,997	-	-	-	
Four years later	3,034,031,217	291,846,369	-	-	-	-	
Five years later	3,052,870,048	-	-	-	-	-	
Current estimate of cumulative claims	3,052,870,048	291,846,369	327,976,997	599,164,752	573,566,458	640,483,767	5,485,908,391
Cumulative payments to date	(3,034,459,547)	(288,552,145)	(321,845,636)	(585,924,649)	(535,666,812)	(405,673,857)	(5,172,122,646)
Liability recognised in statement of financial position	18,410,501	3,294,224	6,131,361	13,240,103	37,899,646	234,809,910	313,785,745
Salvage and subrogation							(32,942,791)
Additional premium reserves							22,019,563
Other technical reserves							17,984,038
Outstanding claims and reserves							320,846,555

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.7 Claims development (continued)

Claims development table net of reinsurance:

Accident year **Estimate of ultimate claims as at 31 December 2022:**	**2017 & earlier**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At the end of accident year	1,194,455,660	111,629,600	312,428,907	504,828,898	549,947,505	338,915,117	
One year later	1,188,145,455	118,514,302	487,046,104	509,542,555	513,250,085	-	
Two years later	1,172,186,372	235,166,896	468,339,235	501,592,680	-	-	
Three years later	2,229,190,400	230,920,345	465,924,264	-	-	-	
Four years later	2,231,291,736	230,576,127	-	-	-	-	
Five years later	2,250,112,583	-	-	-	-	-	
Current estimate of cumulative claims	2,250,112,583	230,576,127	465,924,264	501,592,680	513,250,085	338,915,117	4,300,370,856
Cumulative payments to date	(2,246,823,994)	(229,575,786)	(462,285,335)	(492,163,376)	(492,481,978)	(221,860,065)	(4,145,190,534)
Liability recognised in statement of financial position	3,288,589	1,000,341	3,638,929	9,429,304	20,768,107	117,055,052	155,180,322
Salvage and subrogation							(6,223,618)
Additional premium reserves							17,205,865
Other technical reserves							9,557,211
Outstanding claims and reserves							175,719,780

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. Risk management (continued)

27.7 Claims development (continued)

Claims development table net of reinsurance:

Accident year **Estimate of ultimate claims as at 31 December 2021:**	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	668,003,070	124,678,068	111,629,600	312,428,907	504,828,898	549,949,231	
One year later	1,069,777,592	124,642,361	118,514,302	487,046,104	509,542,555	-	
Two years later	1,063,503,093	115,879,647	235,166,896	468,339,235	-	-	
Three years later	1,056,306,725	209,964,590	230,920,345	-	-	-	
Four years later	2,019,225,810	207,498,381	-	-	-	-	
Five years later	2,063,501,267	-	-	-	-	-	
Current estimate of cumulative claims	2,063,501,267	207,498,381	230,920,345	468,339,235	509,542,555	549,949,231	4,029,751,014
Cumulative payments to date	(2,050,910,423)	(204,916,061)	(226,922,740)	(460,047,410)	(479,866,046)	(351,314,223)	(3,773,976,903)
Liability recognised in statement of financial position	12,590,844	2,582,320	3,997,605	8,291,825	29,676,509	198,635,008	255,774,111
Salvage and subrogation							(30,607,770)
Additional premium reserves							22,019,563
Other technical reserves							17,984,038
Outstanding claims and reserves							265,169,942

27. Risk management (continued)

27.8 Capital management risk

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 Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement
- Premium solvency margin; or
- Claims solvency margin

As stated in Note 1, the Company completed its rights issue on 8 June 2022 amounting to Saudi Riyals 229.5 million. As a result and at 31 December 2022, the Company is in compliance with the solvency margin requirements as stipulated by the Law.

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information

As required by the SAMA Implementing Regulations, the statement of financial position, statement of income and statement of cash flows are separately disclosed for both insurance operations and shareholders' operations as follows:

STATEMENT OF FINANCIAL POSITION

	31 December 2022			31 December 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	**28,585,816**	**71,736,411**	**100,322,227**	40,666,697	74,315,396	114,982,093
Term deposits	**-**	**160,092,750**	**160,092,750**	-	40,032,877	40,032,877
Premiums and reinsurers' receivable – net	**176,323,952**	**-**	**176,323,952**	161,223,340	-	161,223,340
Premiums receivable - related parties - net	**7,206,304**	**-**	**7,206,304**	4,452,622	-	4,452,622
Reinsurers' share of unearned premiums	**35,577,648**	**-**	**35,577,648**	44,001,521	-	44,001,521
Reinsurers' share of outstanding claims	**30,772,469**	**-**	**30,772,469**	34,230,197	-	34,230,197
Reinsurers' share of claims incurred but not reported	**10,806,347**	**-**	**10,806,347**	21,446,416	-	21,446,416
Deferred policy acquisition costs	**18,758,743**	**-**	**18,758,743**	17,232,872	-	17,232,872
Investments	**119,194,398**	**147,684,389**	**266,878,787**	139,811,054	137,955,578	277,766,632
Prepaid expenses and other assets	**32,943,542**	**8,035,631**	**40,979,173**	41,968,172	3,744,992	45,713,164
Property and equipment	**7,565,938**	**-**	**7,565,938**	8,854,908	-	8,854,908
Right-of-use assets	**7,447,735**	**-**	**7,447,735**	7,584,087	-	7,584,087
Intangible assets	**45,468,473**	**-**	**45,468,473**	43,378,547	-	43,378,547
Goodwill	**-**	**67,697,750**	**67,697,750**	-	67,697,750	67,697,750
Statutory deposit	**-**	**68,842,392**	**68,842,392**	-	34,421,196	34,421,196
Accrued income on statutory deposit	**-**	**8,954,696**	**8,954,696**	-	7,738,807	7,738,807
Due from shareholders' operations	**148,024,583**	**-**	**148,024,583**	207,825,300	-	207,825,300
TOTAL ASSETS	**668,675,948**	**533,044,019**	**1,201,719,967**	772,675,733	365,906,596	1,138,582,329
Less: inter-operations elimination	**(148,024,583)**	**-**	**(148,024,583)**	(207,825,300)	-	(207,825,300)
TOTAL ASSETS	**520,651,365**	**533,044,019**	**1,053,695,384**	564,850,433	365,906,596	930,757,029

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2022			**31 December 2021**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
LIABILITIES						
Accounts payable	**92,417,127**	**-**	**92,417,127**	117,346,288	-	117,346,288
Accrued and other liabilities	**29,798,289**	**6,752,460**	**36,550,749**	14,148,035	352,460	14,500,495
Reinsurers balances payable	**11,637,535**	**-**	**11,637,535**	14,478,470	-	14,478,470
Unearned premiums	**283,116,558**	**-**	**283,116,558**	255,996,173	-	255,996,173
Unearned reinsurance commission	**9,008,516**	**-**	**9,008,516**	10,342,959	-	10,342,959
Outstanding claims	**97,750,416**	**-**	**97,750,416**	93,994,985	-	93,994,985
Claims incurred but not reported	**92,785,104**	**-**	**92,785,104**	186,847,969	-	186,847,969
Additional premium reserves	**17,205,865**	**-**	**17,205,865**	22,019,563	-	22,019,563
Other technical reserves	**9,557,211**	**-**	**9,557,211**	17,984,038	-	17,984,038
Lease liabilities	**6,776,329**	**-**	**6,776,329**	6,732,810	-	6,732,810
Employee benefit obligations	**18,256,354**	**-**	**18,256,354**	16,927,680	-	16,927,680
Zakat and income tax	**-**	**22,072,948**	**22,072,948**	-	20,072,948	20,072,948
Surplus distribution payable	**13,013,699**	**-**	**13,013,699**	13,748,722	-	13,748,722
Accrued income payable to SAMA	**-**	**8,954,696**	**8,954,696**	-	7,738,807	7,738,807
Due to insurance operations	**-**	**148,024,583**	**148,024,583**	-	207,825,300	207,825,300
TOTAL LIABILITIES	**681,323,003**	**185,804,687**	**867,127,690**	770,567,692	235,989,515	1,006,557,207
Less: inter-operations elimination	**-**	**(148,024,583)**	**(148,024,583)**	-	(207,825,300)	(207,825,300)
TOTAL LIABILITIES	**681,323,003**	**37,780,104**	**719,103,107**	770,567,692	28,164,215	798,731,907

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2022			31 December 2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
EQUITY						
Share capital	**-**	**458,949,280**	**458,949,280**	-	229,474,640	229,474,640
Share premium	**-**	**-**	**-**	-	-	-
Statutory reserve		**4,885,691**	**4,885,691**	-	4,885,691	4,885,691
Accumulated losses	**-**	**(111,651,745)**	**(111,651,745)**	-	(111,242,809)	(111,242,809)
Remeasurement reserve of employee benefit obligations	**(1,231,873)**	**-**	**(1,231,873)**	(168,351)	-	(168,351)
Fair value reserve on investments	**(11,415,182)**	**(4,943,894)**	**(16,359,076)**	2,276,392	6,799,559	9,075,951
TOTAL EQUITY	**(12,647,055)**	**347,239,332**	**334,592,277**	2,108,041	129,917,081	132,025,122
TOTAL LIABILITIES AND EQUITY	**668,675,948**	**385,019,436**	**1,053,695,384**	772,675,733	158,081,296	930,757,029

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written	**548,430,785**	-	**548,430,785**	572,523,050	-	572,523,050
Reinsurance premiums ceded:						
- Foreign	**(70,597,190)**	-	**(70,597,190)**	(95,031,930)	-	(95,031,930)
- Local	**(12,319,070)**	-	**(12,319,070)**	(12,326,543)	-	(12,326,543)
Excess of loss premiums:						
- Foreign	**(10,786,022)**	-	**(10,786,022)**	(20,873,767)	-	(20,873,767)
- Local	**(5,252,991)**	-	**(5,252,991)**	(1,577,658)	-	(1,577,658)
Net premiums written	**449,475,512**	-	**449,475,512**	442,713,152		442,713,152
Changes in unearned premiums	**(27,120,385)**	-	**(27,120,385)**	119,592,628	-	119,592,628
Changes in reinsurers' share of unearned premiums	**(8,423,873)**	-	**(8,423,873)**	7,526,723	-	7,526,723
Net premiums earned	**413,931,254**	-	**413,931,254**	569,832,503	-	569,832,503
Reinsurance commissions	**20,384,197**	-	**20,384,197**	24,156,018	-	24,156,018
Fee income from insurance	**512,102**	-	**512,102**	408,443	-	408,443
Total revenues	**434,827,553**	-	**434,827,553**	594,396,964	-	594,396,964
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(457,311,255)**	-	**(457,311,255)**	(623,680,031)	-	(623,680,031)
Reinsurers' share of gross claims paid	**71,752,769**	-	**71,752,769**	89,703,315	-	89,703,315
Expenses incurred related to claims	**(4,527,712)**	-	**(4,527,712)**	(12,253,228)	-	(12,253,228)
Net claims and other benefits paid	**(390,086,198)**	-	**(390,086,198)**	(546,229,944)	-	(546,229,944)
Changes in outstanding claims	**(3,755,431)**	-	**(3,755,431)**	10,747,575	-	10,747,575
Changes in reinsurers' share of outstanding claims	**(3,457,728)**	-	**(3,457,728)**	(14,258,910)	-	(14,258,910)
Changes in claims incurred but not reported	**94,062,865**	-	**94,062,865**	(15,950,055)	-	(15,950,055)
Changes in reinsurers' share of claims incurred but not reported	**(10,640,069)**	-	**(10,640,069)**	1,383,425	-	1,383,425
Net claims and other benefits incurred	**(313,876,561)**	-	**(313,876,561)**	(564,307,909)	-	(564,307,909)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER (continued)

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Policy acquisition costs	**(34,092,055)**	-	**(34,092,055)**	(52,413,225)	-	(52,413,225)
Changes in additional premium reserves	**4,813,698**	-	**4,813,698**	(10,724,172)	-	(10,724,172)
Changes in other technical reserves	**8,426,827**	-	**8,426,827**	(6,772,445)	-	(6,772,445)
Other underwriting expenses	**(24,097,073)**	-	**(24,097,073)**	(7,930,297)	-	(7,930,297)
Total underwriting costs and expenses, net	**(358,825,164)**	-	**(358,825,164)**	(642,148,048)	-	(642,148,048)
NET UNDERWRITING INCOME (LOSS)	**76,002,389**	-	**76,002,389**	(47,751,084)	-	(47,751,084)
OTHER OPERATING (EXPENSES) INCOME						
Allowance for doubtful debts	**(1,010,085)**	-	**(1,010,085)**	(2,627,528)	-	(2,627,528)
General and administrative expenses	**(93,538,357)**	**(12,594,613)**	**(106,132,970)**	(110,301,860)	(3,287,141)	(113,589,001)
Investment and commission income	**5,767,547**	**14,360,679**	**20,128,226**	6,518,482	11,236,759	17,755,241
Finance costs	**(664,667)**	-	**(664,667)**	(624,886)	-	(624,886)
Other income	**16,507,060**	-	**16,507,060**	7,647,999	-	7,647,999
Total other operating (expenses) income, net	**(72,938,502)**	**1,766,066**	**(71,172,436)**	(99,387,793)	7,949,618	(91,438,175)
Total profit (loss) for the year before surplus attribution, zakat and income tax	**3,063,887**	**1,766,066**	**4,829,953**	(147,138,877)	7,949,618	(139,189,259)
Surplus attributed to the insurance operations	**(2,757,498)**	**2,757,498**	**-**	-	-	-
Zakat expense	**-**	**(2,000,000)**	**(2,000,000)**	-	(2,000,000)	(2,000,000)
Income tax expense	**-**	**-**	**-**	-	-	-
Total profit (loss) for the year attributable to the shareholders	**306,389**	**2,523,564**	**2,829,953**	(147,138,877)	5,949,618	(141,189,259)

(continued)

28. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER (continued)

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Deficit transferred to the shareholders' operations	-	-	-	-	(141,189,259)	(141,189,259)
Total profit (loss) for the year after transfer of deficit	**306,389**	**2,523,564**	**2,829,953**	-	(141,189,259)	(141,189,259)
Weighted average number of outstanding shares	-	**38,539,051**		-	24,919,184	
Earnings (loss) per share (expressed in Saudi Riyals per share)						
Basic losses per share		**0.07**			(5.67)	
Diluted losses per share		**0.07**			(5.67)	

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	2022			**2021**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Total profit (loss) for the year attributable to the shareholders	**306,389**	**2,523,564**	**2,829,953**	-	(141,189,259)	(141,189,259)
Other comprehensive income:						
Items that will not be reclassified to the statement of income in subsequent years						
Remeasurement (loss) gain on employee benefit obligations	**(1,063,522)**	**-**	**(1,063,522)**	2,034,710	-	2,034,710
Items that will be reclassified to statement of income in subsequent years						
Realised loss reclassified to statement of income	**-**	**(1,600,001)**	**(1,600,001)**	-	(140,129)	(140,129)
Net change in fair value of available-for-sale investments	**(13,691,573)**	**(10,143,453)**	**(23,835,026)**	(3,598,035)	2,586,325	(1,011,710)
Total other comprehensive (loss) income	**(14,755,095)**	**(11,743,454)**	**(26,498,549)**	(1,563,325)	2,446,196	882,871
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(14,448,706)**	**(9,219,890)**	**(23,668,596)**	(1,563,325)	(138,743,063)	(140,306,388)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

Reconciliation	**Year ended 31 December**	
	2022	**2021**
Total comprehensive loss for the year	**(23,668,596)**	(140,306,388)
Less: Net income attributable to insurance operations transferred to surplus payable	**(306,389)**	-
Total comprehensive loss for the year	**(23,974,985)**	(140,306,388)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	2022			**2021**		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES						
Total profit (loss) for the year before surplus attribution, zakat and income tax	**3,063,887**	**1,766,066**	**4,829,953**	-	(139,189,259)	(139,189,259)
Adjustments for non-cash items:						
Depreciation of property and equipment	**2,186,114**	**-**	**2,186,114**	2,903,594	-	2,903,594
Amortisation of intangible assets	**8,872,813**	**-**	**8,872,813**	8,587,426	-	8,587,426
Depreciation for right-of-use assets	**3,027,818**	**-**	**3,027,818**	1,839,203	-	1,839,203
Finance costs	**664,667**	**-**	**664,667**	624,886	-	624,886
Investment and commission income	**(4,167,546)**	**(14,360,679)**	**(18,528,225)**	(6,518,482)	(11,096,630)	(17,615,112)
Allowance for doubtful debts	**1,010,085**	**-**	**1,010,085**	2,627,528	-	2,627,528
Provision for employee benefit obligations	**2,352,935**	**-**	**2,352,935**	2,882,796	-	2,882,796
Gain on termination of lease liability	**(1,091,864)**	**-**	**(1,091,864)**	(112,288)	-	(112,288)
Realised gain on disposal of available-for-sale investments	**(1,600,001)**	**-**	**(1,600,001)**	-	(140,129)	(140,129)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER (continued)

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	**(15,897,168)**	-	**(15,897,168)**	42,717,861	-	42,717,861
Premium receivables - related parties	**(2,967,212)**	-	**(2,967,212)**	3,858,655	-	3,858,655
Reinsurers' share of unearned premiums	**8,423,873**	-	**8,423,873**	(7,526,723)	-	(7,526,723)
Reinsurers' share of outstanding claims	**3,457,728**	-	**3,457,728**	14,258,910	-	14,258,910
Reinsurers' share of claims incurred but not Reported	**10,640,069**	-	**10,640,069**	(1,383,425)	-	(1,383,425)
Deferred policy acquisition costs	**(1,525,871)**	-	**(1,525,871)**	12,241,727	-	12,241,727
Prepaid expenses and other assets	**12,563,880**	**(3,260,886)**	**9,302,994**	(19,954,880)	6,292,846	(13,662,034)
Accounts payable	**(24,929,161)**	-	**(24,929,161)**	45,238,072	-	45,238,072
Accrued and other liabilities	**15,650,254**	**6,400,000**	**22,050,254**	(12,977,631)	(427,304)	(13,404,935)
Reinsurers' balances payable	**(2,840,935)**	-	**(2,840,935)**	(901,382)	-	(901,382)
Unearned premiums	**27,120,385**	-	**27,120,385**	(119,592,628)	-	(119,592,628)
Unearned reinsurance commission	**(1,334,443)**	-	**(1,334,443)**	1,517,074	-	1,517,074
Outstanding claims	**3,755,431**	-	**3,755,431**	(10,747,575)	-	(10,747,575)
Claims incurred but not reported	**(94,062,865)**	-	**(94,062,865)**	15,950,055	-	15,950,055
Additional premium reserves	**(4,813,698)**	-	**(4,813,698)**	10,724,172	-	10,724,172
Other technical reserves	**(8,426,827)**	-	**(8,426,827)**	6,772,445	-	6,772,445
Employee benefit obligations paid	**(2,484,473)**	-	**(2,484,473)**	(4,928,836)	-	(4,928,836)
Zakat paid	-	-	-	-	(1,886,010)	(1,886,010)
Surplus paid to the policy holders	**(1,041,412)**	-	**(1,041,412)**	-	-	-
Net cash used in operating activities	**(64,393,537)**	**(9,455,499)**	**(73,849,036)**	(11,899,446)	(146,446,486)	(158,345,932)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER (continued)

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	-	**(120,092,750)**	**(120,092,750)**	-	(40,032,877)	(40,032,877)
Liquidation of term deposits	-	-	-	86,516,962	40,053,779	126,570,741
Purchase of available-for-sale investments	-	**(56,111,939)**	**(56,111,939)**	(19,288,091)	(10,000,000)	(29,288,091)
Purchase of held-to-maturity investments	-	-	-	(9,931,031)	-	(9,931,031)
Proceeds from disposal of available-for-sale investments	**1,923,070**	**34,781,250**	**36,704,320**	-	10,000,000	10,000,000
Redemption / proceeds from disposal of held-to-maturity investments	**5,002,013**	**1,458,425**	**6,460,438**	-	7,499,994	7,499,994
Investment and commission income received	**2,261,172**	**11,730,927**	**13,992,099**	5,310,462	11,074,885	16,385,347
Payments for purchases of property and equipment	**(897,144)**	-	**(897,144)**	(988,109)		(988,109)
Addition to intangible assets	**(10,962,739)**	-	**(10,962,739)**	(3,770,228)	-	(3,770,228)
Addition (liquidation) to statutory deposit – net	-	**(34,421,196)**	**(34,421,196)**	-	18,450,000	18,450,000
Net cash (used in) generated from investing activities	**(2,673,628)**	**(162,655,283)**	**(165,328,911)**	57,849,965	37,045,781	94,895,746

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

28. Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER (continued)

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal elements of lease payments	**(1,756,082)**	**-**	**(1,756,082)**	(1,023,355)	-	(1,023,355)
Finance cost paid	**(267,977)**	**-**	**(267,977)**	(52,395)	-	(52,395)
Issue of share capital, net of expenses	**-**	**226,542,140**	**226,542,140**			
Due to insurance operations	**57,010,343**	**(57,010,343)**	**-**	(72,060,266)	72,060,266	-
Net cash generated from (used in) financing activities	**54,986,284**	**169,531,797**	**224,518,081**	(73,136,016)	72,060,266	(1,075,750)
Net change in cash and cash equivalents	**(12,080,881)**	**(2,578,985)**	**(14,659,866)**	(27,185,497)	(37,340,439)	(64,525,936)
Cash and cash equivalents, beginning of the year	**40,666,697**	**74,315,396**	**114,982,093**	67,852,194	111,655,835	179,508,029
Cash and cash equivalents at end of the year	**28,585,816**	**71,736,411**	**100,322,227**	40,666,697	74,315,396	114,982,093
<u>Supplemental non-cash information:</u>						
Net change in fair value reserve for available-for-sale investments	**(13,691,573)**	**(10,143,453)**	**(23,835,026)**	(3,598,035)	2,586,325	(1,011,710)
Remeasurement (loss) gain on employee benefit obligations	**1,063,522**	**-**	**1,063,522**	(2,034,710)	-	(2,034,710)
Right-of-use assets and lease liabilities (Note 16)						

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Accrued and other liabilities

	2022	2021
Accrued expenses	**18,891,439**	3,294,659
Withholding tax payable	**9,819,112**	8,057,515
VAT payable – net	**4,871,143**	-
Accrued supervision fee	**2,856,180**	2,856,180
Accrued employee benefits	**112,875**	292,141
	36,550,749	14,500,495

29.1 Accounts payable

Such balance principally comprises processed claims due for settlement.

30 Statutory deposit

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

In accordance with the instruction received from SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December 2021 as an asset and a liability in these financial statements.

31 Subsequent event

Subsequent to the reporting date, the Company has signed a merger agreement with Al Sagr on March 22, 2023 which is subject to approval from the regulatory authorities and the shareholders of both Al Sagr and the Company (see Note 1). No other events have arisen subsequent to 31 December 2022 and before the date of signing the independent auditors' audit report, that could have a significant effect on the financial statements as at 31 December 2022.

32 Commitments and contingencies

i) As at 31 December 2022, the Company has capital commitments amounting to Saudi Riyals 40.3 million pertaining to the implementation of new software (2021: 1.8 million).

ii) See Note 19 for contingencies pertaining to zakat and income tax assessments.

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

33 Approval of the financial statements

The financial statements have been authorized for issue by the Board of Directors on 1 Ramadan 1444H (corresponding to March 23, 2023).