GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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(A SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED 31 DECEMBER 2022

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KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

AlKharashi & Co.
Certified Accountants And Auditors

Sahab Tower – Takhssussi street 7425
Riyadh, Kingdom of Saudi Arabia
P.O. Box 8306 – Riyadh 11482
Tel. +966 920028229
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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company

Opinion

We have audited the financial statements of **Gulf General Coopertaive Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (''SOCPA'').

Basis for Opinion

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

Material uncertainty relating to going concern

We draw attention to Note 2.2 of the financial statements, which indicates that the Company incurred a net loss of SR 104.19 million during the year ended 31 December 2022 and, as of that date, the Company's accumulated losses amounted to SR 235.92 million which represents 47.2% of the share capital. These conditions along with other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claims liability arising from insurance contract As at 31 December 2022, the gross outstanding claims including claims incurred but not reported and other reserves amounted to SR 65.9 million and SR 20 million respectively. The estimation of ultimate 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 ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions based on a number of explicit or implicit assumptions relating to the expected settlement amounts and settlement patterns of claims. Due to the estimation uncertainty and subjectivity involved in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter. Refer to note 2.6.1 which which contains the disclosure of critical accounting judements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3.3.8 which discloses accounting policies for claims.	We performed following procedures: • understood, evaluated and tested key controls around the claims handling process; • performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the gross outstanding claims amount to appropriate source documentation to evaluate the valuation of gross outstanding claim reserves; • evaluated the competence, capabilities and objectivity of the management's actuarial expert based on their professional qualifications and experience and assessed their independence; • checked the completeness and accuracy of the underlying data used by the management in estimating the insurance contract liabilities; • engaged our actuarial specialists to assess the methodology and reasonableness of the key assumptions and judgments used by the management in determining the insurance contract liabilities; and • assessed the adequacy and appropriateness of the related disclosures in the financial statements

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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

Other Information

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

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Independent auditors' report

To the Shareholders of Gulf General Cooperative Insurance Company (continued)

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Gulf General Cooperative Insurance Company** (the "Company").

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

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Independent auditors' report

To the Shareholders of Gulf General 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.

For KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

For Al Kharashi & Co
Certified Accountants and Auditors

Abdullah Suleiman Almsned
License No. 456

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 4030290792
KPMG
ترخيص رقم ٤٦
KPMG Professional Services

Jeddah, Kingdom of Saudi Arabia
11 Ramadan 1444H
Corresponding to 02 April 2023

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	*31 December 2022 SR'000*	*31 December 2021 SR'000*
ASSETS			
Cash and cash equivalents	4	**5,151**	256,112
Murabaha deposits	5	**139,449**	--
Premiums receivable, net	6	**120,771**	63,940
Due from reinsurers, net	7	**19,305**	32,967
Reinsurers' share of unearned premiums	9.1	**27,257**	21,707
Reinsurers' share of outstanding claims	9.2	**10,967**	11,596
Reinsurers' share of claims incurred but not reported	9.2	**4,518**	11,850
Reinsurers' excess of loss claims		**2,064**	4,892
Deferred policy acquisition costs	9.4	**12,892**	7,283
Investments	8	**46,790**	48,755
Prepayments and other assets	10	**68,974**	41,892
Right-of-use assets	11	**527**	1,555
Property and equipment	12	**15,499**	13,120
Intangible assets	13	**13,453**	9,626
Goodwill	1.2	**36,260**	36,260
Statutory deposit	14	**75,000**	75,000
Accrued income on statutory deposit	14	**3,634**	2,495
TOTAL ASSETS		**602,511**	639,050
LIABILITIES AND EQUITY			
LIABILITIES			
Due to policyholders	15	**9,978**	12,739
Accrued expenses and other liabilities	16	**40,655**	22,131
Due to reinsurers		**5,215**	1,249
Due to brokers		**16,965**	8,692
Unearned premiums	9.1	**149,652**	103,835
Unearned reinsurance commission	9.5	**5,144**	4,380
Outstanding claims	9.2	**31,235**	40,950
Claims incurred but not reported	9.2	**34,733**	37,355
Premium deficiency reserve	9.6	**13,086**	12,273
Other technical reserves	9.2	**6,936**	4,672
Employees' defined benefit obligations	17	**4,661**	5,157
Lease liabilities	11	**27**	1,224
Surplus distribution payable	18	**8,738**	8,738
Accrued Zakat	19	**4,236**	2,287
Accrued income payable to SAMA	14	**3,634**	2,495
TOTAL LIABILITIES		**334,895**	268,177
EQUITY			
Share capital	20	**500,000**	500,000
Statutory reserve	21	**2,165**	2,165
Accumulated losses		**(235,919)**	(131,729)
Re-measurement reserve of defined benefit obligations		**1,370**	437
TOTAL SHAREHOLDERS' EQUITY		**267,616**	370,873
TOTAL LIABILITIES AND EQUITY		**602,511**	639,050
COMMITMENTS AND CONTINGENCIES	33	**300**	300

Director

Chief Financial Officer

Chief Executive Officer

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
REVENUES			
Gross written premiums	9.1 & 23	**373,293**	296,751
Less: Reinsurance premiums ceded			
- Local	9.7	**(6,656)**	(2,085)
- Foreign	9.7	**(65,011)**	(61,422)
		(71,667)	(63,507)
Less: Excess of loss expenses			
- Local		**(1,384)**	(281)
- Foreign		**(14,967)**	(13,575)
		(16,351)	(13,856)
Net written premiums		**285,275**	219,388
Changes in unearned premiums, net		**(40,265)**	11,645
Net premiums earned	9.1	**245,010**	231,033
Reinsurance commissions	9.5	**13,594**	19,615
Other underwriting income		**98**	517
TOTAL REVENUES		**258,702**	251,165
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**275,212**	241,888
Expenses incurred related to claims		**8,386**	6,391
Less: Reinsurers' share of claims paid		**(31,609)**	(43,840)
Net claims and other benefits paid		**251,989**	204,439
Change in outstanding claims, net		**(6,258)**	5,353
Changes in claims incurred but not reported, net		**4,711**	9,021
Other technical reserves		**2,264**	1,900
Net claims and other benefits incurred		**252,706**	220,713
Provision for premium deficiency reserve	9.6	**813**	10,962
Policy acquisition costs	9.4	**40,630**	40,940
TOTAL UNDERWRITING COSTS AND EXPENSES		**294,149**	272,615
NET UNDERWRITING LOSS		**(35,447)**	(21,450)
OTHER OPERATING (EXPENSES) / INCOME			
Provision for impairment of premium receivables	6.1	**(4,551)**	(1,204)
Reversal / (provision) for impairment of reinsurance receivables	7.1	**509**	(574)
General and administration expenses	24	**(83,536)**	(76,556)
Investmnet income	8.1	**(925)**	13,366
Other income	25	**23,778**	2,343
TOTAL OTHER OPERATING EXPENSES NET		**(64,725)**	(62,625)
Loss before Surplus and Zakat		**(100,172)**	(84,075)
Income attributed to the insurance operations (transfer to surplus payable)	28 & 31	--	--
Loss attributed to the shareholders before Zakat		**(100,172)**	(84,075)
Zakat charge for the year	19.1	**(4,018)**	(2,164)
Zakat charge for prior years	19.2	--	(537)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS		**(104,190)**	(86,776)
Basic and diluted loss per share (SR per share)	32	**(2.08)**	(3.16)

Director

Chief Executive Officer

Chief Financial Officer

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS	31	**(104,190)**	(86,776)
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gain / (loss) on defined benefit obligations	17	**933**	(667)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(103,257)**	(87,443)

Director

Chief Executive Officer

Chief Financial Officer

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital SR'000	***Statutory reserve SR'000***	***Accumulated losses SR'000***	***Re-measurement reserve of defined benefit obligations SR'000***	***Total SR'000***
Balance as at 1 January 2022	**500,000**	**2,165**	**(131,729)**	**437**	**370,873**
Total comprehensive loss for the year					
Total loss for the year attributable to shareholders	--	--	**(104,190)**	--	**(104,190)**
Actuarial gain on defined benefit obligations	--	--	--	**933**	**933**
Balance as at 31 December 2022	**500,000**	**2,165**	**(235,919)**	**1,370**	**267,616**

	Share capital SR'000	*Statutory reserve SR'000*	*Accumulated losses SR'000*	*Re-measurement reserve of defined benefit obligations SR'000*	*Total SR'000*
Balance as at 1 January 2021	200,000	2,165	(40,135)	1,104	163,134
Total comprehensive loss for the year					
Total loss for the year attributable to shareholders	--	--	(86,776)	--	(86,776)
Actuarial loss on defined benefit obligations	--	--	--	(667)	(667)
Transactions with owners of the Company					
Increase in share capital	300,000	--	--	--	300,000
Transaction costs	--	--	(4,818)	--	(4,818)
Balance as at 31 December 2021	500,000	2,165	(131,729)	437	370,873

Director

Chief Executive Officer

Chief Financial Officer

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat		**(100,172)**	(84,075)
Adjustments for non-cash items:			
Depreciation	12 & 24	**2,322**	432
Amortization of intangible assets	13 & 24	**1,198**	1,848
Amortization of right-of-use assets	11 & 24	**1,028**	1,088
Provision for impairment of premiums receivables	6.1	**4,551**	1,204
Provision for impairment of reinsurance receivables	7.1	**(509)**	574
Unrealised gain on investments held at FVIS	8.1	**4,966**	(11,886)
		(86,616)	(90,815)
Changes in operating assets and liabilities:			
Premiums receivable		**(61,382)**	(21,741)
Due from reinsurers		**14,171**	(17,295)
Reinsurers' share of unearned premiums		**(5,550)**	15,959
Reinsurers' share of outstanding claims		**629**	(1,301)
Reinsurers' share of claims incurred but not reported		**7,332**	(7,926)
Reinsurers' excess of loss claims		**2,828**	(4,449)
Deferred policy acquisition costs		**(5,609)**	1,332
Prepayments and other assets		**(27,083)**	(8,243)
Due to policy holders		**(2,761)**	1,271
Accrued expenses and other liabilities		**18,524**	(4,369)
Due to reinsurers		**3,966**	(1,251)
Due to brokers		**8,273**	(2,758)
Unearned premiums		**45,817**	(27,604)
Unearned reinsurance commission		**764**	(2,151)
Outstanding claims		**(9,715)**	11,100
Claims incurred but not reported		**(2,622)**	16,944
Premium deficiency reserve		**813**	10,962
Other technical reserves		**2,264**	1,902
Employees defined benefit obligations, net		**437**	319
		(95,520)	(130,114)
Zakat paid	19	**(2,069)**	(3,682)
Surplus paid to policy holders	18	--	(4)
Net cash used in operating activities		**(97,589)**	(133,800)

Director

Chief Executive Officer

Chief Financial Officer

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(4,701)**	(7,124)
Purchase of intangible assets	13	**(5,025)**	(7,639)
Proceeds from disposal of Intangible Assets		--	3,786
Purchase of investments held to maturity	8.2		--
Proceeds from disposal of investments	8.1		--
Prurcahse of Murabaha deposits		**(142,449)**	--
Net cash used in investing activities		**(152,175)**	(10,977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Right issue		--	300,000
Transaction costs		--	(4,818)
Statutory deposit		--	(55,000)
Repayment of lease liabilities		**(1,197)**	(687)
Net cash generated (used in) / from financing activities		**(1,197)**	239,495
Net (decrease) / increase in cash and cash equivalents		**(250,961)**	94,718
Cash and cash equivalents at the beginning of the year		**256,112**	161,394
Cash and cash equivalents at the end of the year	4	**5,151**	256,112
SUPPLEMENTAL NON-CASH TRANSACTIONS			
Actuarial gain / (loss) on defined benefit obligation	17	**933**	(667)

Director

Chief Executive Officer

Chief Financial Officer

1. GENERAL

1.1. Organization and principal activities

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

The Company also has the following branches, which are operating under separate commercial registrations:

Branch	*Commercial Registration No.*	*Date of Registration*
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange ("Tadawul") on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, accident & liability, marine, property and engineering.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations	10%
	100%

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to the shareholders' operations in full.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

1. GENERAL (continued)

1.2. Portfolio transfer

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. ("SGI") and Gulf Cooperation Insurance Company Ltd. E.C. ("GCI") (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with the related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and are also subject to SAMA approval.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Further, SAMA approved additional payment of SR 5.37 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawwal 1435H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended 31 December 2015, consequent to SAMA's approval, dated 3 Rajab 1436H (corresponding to 22 April 2015), a final payment of SR 9.80 million was made to the Sellers in respect of goodwill, out of 2014 profits.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

As required by Saudi Arabian Insurance Regulations, the Company maintains separate book of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors of the Company.

The statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 31 of the financial statement have been provided as supplementary financial information and to comply with the requirements of regulations. The regulations requires the clear segregation of the assets, liabilities, income and expenses of the Insurance Operations and the Shareholders Operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred below in note 31 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 as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% is to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

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

2. BASIS OF PREPARATION (continued)

2.2. Going Concern

The Company incurred a net loss of SR 104.19 million (31 December 2021: SR 86.78 million) during the year ended 31 December 2022 and, as of that date, the Company's accumulated losses amounted to SR 235.91 million (31 December 2021: SR 131.73 million) which represents 47.2% of the share capital, also the Company had net operating cash outflows of SR 97.58 million for the year ended 31 December 2022. Since the accumulated losses of the Company amounted to 47.2 % of the share capital, the requirements of Article 4, Part 2 of 'CMA's Procedures and Instructions Related to Listed Companies with Accumulated Losses Reaching 20% or More of Their Share Capital' were also triggered. These events and conditions, indicate that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The management of the Company has prepared a detailed business plan for future prospects of the Company which is approved by the Board of Directors and has undertaken strategic initiatives to address the material uncertainty. The steps being taken by the management to improve performance include operational measures to enhance claims management and recoveries from salvage and subrogation; manage cost rationalization through expense control and reducing discretionary spending, and improve the portfolio mix by focusing on more profitable lines of business and products. Company is also putting in place measures such as actuarial pricing tools and periodic business reviews to support better business decisions, focus on digital marketing to improve market share and increase process efficiencies leveraging core system capabilities

Based on the above measures taken by the management, along with existing cash and cash equivalents and other liquid assets, the management and those charged with governance remain confident that going concern assumption is valid. Furthermore, the management does not have any intention to liquidate the Company or to cease the operations in the near future. Based on the above these financial statements have been prepared on going concern basis.

2.3. Basis of measurement

The financial statements have been prepared under the going concern basis and historical cost convention, except for the measurement of investments held at fair value through income statement ("FVIS"), available-for-sale investment that are measured at fair value, and employees defined benefit obligations which is recognised at present value of future obligations using the projected unit credit method.

The Company's statement of financial position is presented in order of liquidity. Except for available-for-sale investment,held to maturity investment, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, employees' defined benefit obligations, lease liabilities and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

2.4. Functional and presentation currency

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

2.5. Fiscal year

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

2. BASIS OF PREPARATION (continued)

2.6. Critical accounting judgements, estimates and assumptions

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

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

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

2.6.1. The ultimate liability arising from claims made under insurance contracts

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

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of the statement of financial position, for which the insured event has occurred prior to the date of the statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using the past claims settlement trends to predict future claims settlement trends.

A range of methods such as Chain Ladder Method and Cape Code Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

2.6.2. Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost. The determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from the original cost is considered significant as per the Company's policy. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

2.6.3. Impairment of receivables

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

2.6.4. Goodwill

The recoverable amount of goodwill is estimated based on present value of future cashflows expected to drived from assets. The key assumptions used are the discount rate and estimated future cash flows from the business. Where the recoverable amount is less than its carrying value, the difference as an impairment loss is recognized in the statement of income.

2. BASIS OF PREPARATION (continued)

2.6 Critical accounting judgements estimates and assumptions (continued)

2.6.5. Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of mutual funds. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022 except as explained below:

3.1. New IFRS, International Financial Reporting and Interpretations Committee's interpretations ("IFRICs") and Amendments thereof, adopted by the Company

A number of new standards and amendments became applicable for the current reporting period i.e. for reporting periods beginning on or after 01 January 2022. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting amended standards which are described below:

Standard / Interpretation	***Description***
IAS 37	*Onerous Contracts – Cost of Fulfilling a Contracts (Amendments to IAS 37)*
IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
IFRS 3	*Reference to the Conceptual Framework (Amendments to IFRS 3)*
Annual improvements	*Annual Improvements to IFRS Standards 2018–2020*

3.2. New IFRSs, IFRICs and Amendments thereof, issued but not yet effective

Standards and interpretation issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing the financial statements. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts	See note below
IAS 1	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Narrow scope amendments to IAS 1, IFRS 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.	January 1, 2023
IAS 16	Lease liability in a sale and leaseback – Amendments to IFRS 16	January 1, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the operational accounting for insurance and reinsurance contracts and financial instruments and presentation of financial statement and are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 17 – Insurance Contracts

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

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 17 team and governed by audit committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. the Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

Significant Judgements and Accounting Policy Choices

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

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Significant Judgements and Accounting Policy Choices (continued)

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims ("LIC") and Liability for Remaining Coverage ("LRC").

Measurement model
The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage ("LRC") is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company will be adopting the PAA measurement model for the measurement of LRC for the whole business. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement
For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the fulfillment cash flows ("FCF") related to past service allocated to the group at the reporting date.

There are no investment components within insurance contracts issued by the Company.

LIC
The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company presents the entire change in risk adjustment as part of insurance service results.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes in settling claims from the date they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Significant Judgements and Accounting Policy Choices (continued)

Insurance acquisition costs
Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from IFRS 9 Expected Loss Model.

Insurance service expenses
Insurance service expenses include the following:

a. incurred claims for the period.
b. other incurred directly attributable expenses.
c. insurance acquisition cash flows amortization.
d. changes that relate to past service – changes in the FCF relating to the LIC.
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract
The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones.

Disclosures
The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its insurance contracts particularly in the year of the adoption of the new standard.

In the statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of income need to include insurance service result, consisting of insurance revenue less insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 17 – Insurance Contracts (Continued)

Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact before Zakat and Tax is a reduction in the Company's total equity by SR 9.9 million to SR 14.9 million (i.e. 2.6% to 3.8% of total equity) at 1 January 2022.

Impact on Equity

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January 2022
Changes in measurement of insurance contract liabilities	Decrease by SR 13.3 million to SR 18.2 million
Changes in measurement of reinsurance contract assets	Increase by SR 3.4 million to SR 4.3 million
	Decrease by SR 9.9 million to SR 13.9 million

Impact on Insurance Contract Liabilities

Drivers of Changes	Impact on liabilities on transition to IFRS 17 on 1 January 2022
Risk adjustment	Increase by SR 1.01 million to SR 21.3 million
Loss component	incrrease by SR11.7 million to Increase by SR 13.9 million
Allowance for all possible outcomes	Decrease by SR 4.02 million to SR 10.8 million
Other drivers	Increase by SR 1.21 million to SR 3.8 million
Total Impact	**Increase SR 9.9 million to SR 13.9 million**

Impact on Reinsurance Contract Asset

Drivers of Changes	Impact on assets on transition to IFRS 17 on 1 January 2022
Reinsurance risk adjustment	Increase by SR 0.923 million to SR 0.75 million

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023. The assessment above is a point in time estimate and is not a forecast. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimate. The Company continues to refine its models, methodologies and systems as well as monitoring regulatory developments ahead of the IFRS 17 adoption on 1 January 2023.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (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, with early adoption permitted. 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.

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed internally through a dedicated IFRS 9 team and governed by audit committee. The preparation for IFRS 9 has required some changes to the Company's reporting systems. the Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

Significant Judgements and Accounting Policy Choices

Financial assets – Classification
On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Financial assets at FVOCI (continued)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL
All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company expects that majority of the term-deposits to be classified as financial assets at amortised cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

Business model assessment
The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Business model assessment-continued

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL
All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company expects that majority of the term-deposits to be classified as financial assets at amortised cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

Business model assessment
The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL
All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company expects that majority of the term-deposits to be classified as financial assets at amortised cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income.

Business model assessment
The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Business model assessment-continued

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Overview of Expected Credit Loss ('ECL') principles
The Company will recognize loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss will be recognized on equity instruments. The 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.

The Company will measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company will consider debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is typically determined by using a matrix which uses historical credit loss experience of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Staging of financial assets

Investments
The Company will categorize its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset
At each reporting date, the Company will assess whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

ECL methodology and measurement
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 by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required. For all contracts, lifetime ECL is computed.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New IFRSs, IFRICs and Amendments thereof, but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

Significant Judgements and Accounting Policy Choices (continued)

Financial assets – Classification (continued)

Forward looking estimate
While estimating the ECL, the Company 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.

Presentation of allowance for ECL in the Balance sheet
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the Balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

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 recognized 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 OCI;
- The remaining amount of the change in the fair value will be presented in the statement of income.

Transition
The Company estimates that, on adoption of IFRS 9, the impact of these changes before zakat and tax is a reduction in the Company's total equity by SR 2.6 million up to SR 2.65 million (i.e. 0.07% to 0.08% of total equity) at 1 January 2022. Reclassification of certain financial assets will result in the transfer of respective fair value reserves from OCI to retained earnings with no impact on total equity. The transfer as at 1 January 2022 is expected to be an increase/decrease in retained earnings/ OCI fair value reserve of SR 34.35 million up to SR 35.35 million, respectively.

Drivers of Changes in Equity	Impact on equity on transition to IFRS 9 on 1 January 2022
Impairment of financial assets	Decrease by SR 2.27 million up to SR 2.39 million

The estimated decrease in total equity includes the impact of the increase in credit impairment provisions compared to those applied at December 31, 2021 under IAS 39. 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.

The impact on total equity at 1 January 2023 is currently being estimated and shall be disclosed in the interim condensed consolidated financial statements for the period ending 31 March 2023. The Company is not expecting material changes in the classification and measurement of financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Significant accounting policies

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

3.3.1 Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts when 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 defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations extinguish or expire.

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

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

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicle holders to have minimum third-party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident. Various extensions cover natural perils, personal accident benefits and dealer repairs.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, natural perils, business interruption and burglary.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings, or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and business interruption following machinery breakdown and includes electronic equipment, boiler and deterioration of stocks insurance.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.1 Insurance contracts (continued)

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

3.3.2 Revenue recognition

Recognition of premiums and commissions earned
Premiums and commission are recorded in the statement of income based on the straight-line method over the insurance policy coverage period except for long term policies (construction and engineering) and marine cargo. Unearned premiums are calculated on a straight-line method over the insurance policy coverage except for:

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Commission income
Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income
Dividend income on equity instruments classified under investments is recognized when the right to receive payment is established.

3.3.3 Claims

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

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income for that year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.3 Claims (continued)

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

3.3.4 Salvage and subrogation reimbursement

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

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset. Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the third party.

3.3.5 Reinsurance contracts held

In line with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in note 3.3.1 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from / to reinsurers. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recorded in the statement of income as incurred. For further details, please refer note 3.3.11.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.6 Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded under "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

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

3.3.7 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

3.3.8 Insurance contract liablites

Insurance contract liabilities include the outstanding claims provision and claims incurred but not reported ("IBNR") and other reserves. The outstanding claims provision and IBNR and other reserves 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 derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

3.3.9 Premiums and reinsurance receivables

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded as "Allowance for impairment of premium / reinsurance receivables" separately in the statement of income. Receivable balances are derecognized when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 fall under the scope of IFRS 4 "Insurance Contracts".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments (continued)

iii. Available for sale investments (continued)

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges.

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

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

3.3.11 Financial instruments

i. Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, Murabaha deposits, premiums receivable, reinsurers' share of outstanding claims, due from reinsurers, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, due to reinsurers and brokers, due to policyholders, surplus distribution payable and certain other liabilities.

Date of recognition
Regular way sale and purchase of financial instruments are recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the marketplace.

Measurement of financial instruments
All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortized cost except for investments held at fair value through income statement which are carried at fair value.

ii. Derecognition of financial instrument

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.10 Investments

All investments, are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Financial assets are initially recognized at fair values plus, in the case of all financial assets not carried at fair value through income statement, transaction costs that are directly attributable to their acquisition.

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

i. Investments held at fair value through income statement ("FVIS")

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

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

Investments are classified as FVIS if the fair value of the investment can be reliably measured and the classification as investments held at fair value through income statement is as per the documented strategy of the Company. Investments classified as investments held at FVIS are initially recognized at cost, being the fair value of the consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of income. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments. Commission income and dividend income on financial assets held as FVIS are reflected as other income from FVIS financial instruments in the statement of income.

ii. Held to maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has a positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and 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 using an effective yield basis. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Any permanent decline in value of investments is adjusted for and reported in the statement income as impairment charges.

iii. Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in the fair value of such investments are shown as a separate component in the statement of financial position and statement of comprehensive income. Realized gains or losses on the sale of these investments are reported in the related statement of income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.11 Financial instruments (continued)

ii. Derecognition of financial instrument (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

iii. Offsetting

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

3.3.12 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 have 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. If such evidence exists, any impairment loss is recognized in the statement of income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

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

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

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

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

3.3.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.13 Property and equipment (continued)

Category	
Leasehold Improvements	8
Furniture and fittings	10
Computers and office equipment	4-10
Motor vehicles	4
Leasehold Improvements	8

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 being the higher of their fair value less costs to sell and their value-in-use.

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

3.3.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of income when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The estimated useful lives for the current year are as follows:

Category	Years
Computer software	4

The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.15 Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized in the statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

3.3.16 Leases

Definition of lease
Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration. The Company assess whether a contract is or contains a lease based on the new definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedients to grandfather the assessment of which transactions are leases.

As a lessee
The Company leases its offices, and as a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted with certain remeasurements of lease liability. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined considering the term of the lease.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available).The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in the future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or termination option is reasonably certain not to be exercised. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.17 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 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 cash-generating unit's ("CGU") fair value less costs to sell and its value in use and 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. When 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 to sell, recent market transactions are taken into account, if available. 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 subsidiaries 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 CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to 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 of continuing operations are recognized in the statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation / amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Impairment losses related to goodwill cannot be reversed in future periods.

3.3.18 Employees' defined benefit obligations

The Company operates a defined benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. This involves making various assumptions which may differ from actual developments in the future. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, the employees' defined benefit obligations valuation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The benefit payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

3.3.19 Provisions, accrued expenses and other liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.20 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat,Tax and Consultant ("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 net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.3.21 Cash and cash equivalents

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

3.3.22 Murabaha deposits

Murabaha deposits, with an original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment changes.

3.3.23 Prepayments and other assets

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

3.3.24 Foreign currencies

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains or losses on available-for-sale investments are recognized under "other income" in the statements of income and comprehensive income. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

3.3.25 Expenses

Due to the nature of the operations of the Company, all expenses incurred are classified as general and administration expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.26 Related party transactions

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.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, and the Chief Financial Officer of the Company.

3.3.27 Operating segments

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it is subject to risk and rewards that are different from those of other segments. Further, an operating segment earns revenues and incur expenses and has discrete financial information which is available that is evaluated regularly by the chief operating decision-maker.

For management purposes, the Company is organized into business units based on products and services and has the following reportable operating segments:

- Medical
- Motor
- Property
- Engineering
- Marine marine
- Accident and liability

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

3.3.28 Statutory reserve

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Significant accounting policies (continued)

3.3.29 Fair values

The fair values of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of similar financial assets or where the fair values cannot be derived from an active market; they are determined using a variety of valuation techniques. The inputs of this model are taken from an observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Fair value disclosures are disclosed in note 27.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2022 SR'000	2021 SR'000
Insurance operations		
Cash in hand	**8**	21
Cash at banks	**4,354**	10,350
Murabaha deposits with maturity less than three months (see note below)	**--**	14,449
	4,362	24,820
Shareholders' operations		
Cash at banks	**789**	6,292
Murabaha deposits with maturity less than three months	**--**	225,000
	789	231,292
Total	**5,151**	256,112

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	2022 SR'000	2021 SR'000
Insurance operations		
Murabaha deposits	**14,449**	14,449
Less: Murabaha deposits with maturity less than three months (see note 4)	**--**	(14,449)
	14,449	--
Shareholders' operations		
Murabaha deposits	**125,000**	225,000
Less: Murabaha deposits with maturity less than three months (see note 4)	**--**	(225,000)
	125,000	--
Total	**139,449**	--

Murabaha deposits earn commission at an average rate of 2.49% per annum as at 31 December 2022 (31 December 2021: 0.67 % per annum).

5. MURABAHA DEPOSITS (continued)

a) Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the date of acquisition.

b) These investments earn commission at an average rate of 0.67% per annum as at 31 December 2022 (2021: 0.69% per annum)

6. PREMIUMS RECEIVABLE, NET

Premiums receivable comprise amounts due from the following:

	2022	*2021*
	SR'000	*SR'000*
Policyholders	**142,832**	80,429
Related parties (note 29)	**3,816**	4,837
	146,648	85,266
Provision for doubtful receivables (note 6.1)	**(25,877)**	(21,326)
Total	**120,771**	63,940

6.1. Movement in provision for doubtful receivables:

	2022	*2021*
	SR'000	*SR'000*
Balance as at 1 January,	**21,326**	20,117
Provision / (Reversal) during the year	**4,551**	1,204
Write-off	--	5
Balance as at 31 December,	**25,877**	21,326

6.2. Aging analysis of unimpaired premiums receivable:

			Past due but not impaired		
	Total	*Less than 90 days*	*91 – 180 days*	*181 – 360 days*	*More than 360 days*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*
31 December, 2022	**120,771**	**99,062**	**9,860**	**6,695**	**5,154**
31 December, 2021	63,940	52,985	2,764	3,834	4,357

Premiums receivable comprise a large number of customers and are mainly within the Kingdom of Saudi Arabia. In respect of premiums receivable, the five largest customer balances accounted for approximately 32 % of this balance as at 31 December 2022 (2021: 26%). The company's terms of business generally require amounts to be paid in accordance with credit terms agreed with the customers.

Management considers its external customers to be individual policyholders. Four customers (2021: four customers) of the Company accounts for more than 31 % of the gross written premiums for the year ended 31 December 2022 (2021: 39%).

7. DUE FROM REINSURERS, NET

	2022 *SR'000*	*2021* *SR'000*
Due from reinsurers	**19,922**	34,093
Provision for doubtful receivables (note 7.1)	**(617)**	(1,126)
Total	**19,305**	32,967

These represent net claims due from reinsurers under facultative deals and treaty arrangements. Three reinsurance brokers represent 90% (2021: Three represents: 90%) of the total amount due from reinsurers.

7.1 Movement in provision for doubtful receivables:

	2022 *SR'000*	*2021* *SR'000*
Balance as at 1 January,	**1,126**	552
(Reversal) /provision during the year	**(509)**	574
Balance as at 31 December,	**617**	1,126

7.2 Aging analysis of unimpaired due from reinsurers:

			Past due but not impaired		
	Total *SR'000*	*Less than 90 days* *SR'000*	*91 – 180 days* *SR'000*	*181 – 360 days* *SR'000*	*More than 360 days* *SR'000*
31 December, 2022	**19,305**	**18,047**	**838**	**223**	**197**
31 December, 2021	32,967	28,014	4,097	499	357

The Company only enters into reinsurance contracts with recognized, creditworthy third parties.

8. INVESTMENTS

Investments of the shareholders' operations comprise the following:

	2022 *SR'000*	*2021* *SR'000*
Shareholders' operations		
Investments held at fair value through income statement ("FVIS") (note 8.1)		
-Equity securities	**14,569**	16,303
-Mutual funds	**25,298**	28,529
	39,867	44,832
Held-to-maturity	**5,000**	2,000
Available-for-sale investment (note 8.2)	**1,923**	1,923
Total	**46,790**	48,755

8. INVESTMENTS (continued)

8.1. Investments held at fair value through income statement ("FVIS")

Movement in investments classified as fair value through income statement ("FVIS") is as follows:

	2022 *SR'000*	*2021* *SR'000*
Balance as at 1 January,	**44,832**	32,946
Disposals during the year	**--**	--
Realized loss during the year	**--**	--
Unrealized (loss) /gain during the year	**(4,965)**	11,886
Balance as at 31 December,	**39,867**	44,832

a) The investments held at fair value through income statement of shareholders' operations comprise of portfolio amounting to SR 39.86 million (2021: SR 44.83 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia.

b) The investments are denominated in Saudi Arabian Riyals and US Dollars. All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

8.2. Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. The investment is classified as an available-for-sale investment and is stated at cost.

9. TECHNICAL RESERVES

9.1. Net premiums

	2022 *SR'000*	*2021* *SR'000*
Gross written premiums	**373,293**	296,751
Gross unearned premiums at the beginning of the year	**103,835**	131,439
	477,128	428,190
Gross unearned premiums at the end of the year	**(149,652)**	(103,835)
Gross premiums earned	**327,476**	324,355
Reinsurance premiums ceded	**(88,018)**	(77,363)
Reinsurers' share of unearned premiums at the beginning of the year	**(21,707)**	(37,666)
	(109,725)	(115,029)
Reinsurers' share of unearned premiums at the end of the year	**27,257**	21,707
Insurance premium ceded to reinsurers	**(82,468)**	(93,322)
Net premiums earned	**245,009**	231,033

9. TECHNICAL RESERVES (continued)

9.2. Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2022 SR'000	2021 SR'000
Outstanding claims	**31,235**	40,950
Claims incurred but not reported	**34,733**	37,355
Premium deficiency reserve (note 9.6)	**13,086**	12,273
Other technical reserves	**6,936**	4,672
	85,990	95,250
Less:		
Reinsurers' share of outstanding claims	**10,967**	11,596
Reinsurers' share of claims incurred but not reported	**4,518**	11,850
	15,485	23,446
Net outstanding claims and reserves	**70,505**	71,804

9.3. Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended 31 December 2022		
	Gross SR'000	**Reinsurance SR'000**	**Net SR'000**
Balance as at 1 January,	**103,835**	**(21,707)**	**82,128**
Premiums written during the year	**373,293**	**(88,018)**	**285,275**
Premiums earned during the year	**(327,476)**	**82,468**	**(245,008)**
Balance as at 31 December,	**149,652**	**(27,257)**	**122,395**

	For the year ended 31 December 2021		
	Gross SR'000	Reinsurance SR'000	Net SR'000
Balance as at 1 January,	131,439	(37,666)	93,773
Premiums written during the year	296,751	(77,363)	219,388
Premiums earned during the year	(324,355)	93,322	(231,033)
Balance as at 31 December,	103,835	(21,707)	82,128

9.4. Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	**7,283**	8,615
Incurred during the year	**46,239**	34,029
Amortized during the year	**(40,630)**	(35,361)
Balance as at 31 December,	**12,892**	7,283

9. TECHNICAL RESERVES (continued)

9.5. Movement in unearned reinsurance commission

Movement in unearned reinsurance commission comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	4,380	6,531
Accrued during the year	14,358	17,464
Earned during the year	(13,594)	(19,615)
Balance as at 31 December,	5,144	4,380

9.6. Movement in premium deficiency reserve

Movement in premium deficiency reserve comprise of the following:

	2022 SR'000	2021 SR'000
Balance as at 1 January,	12,273	1,311
Provided for the year	813	10,962
Balance as at 31 December,	13,086	12,273

9.7 Reinsurance premiums ceded

	2022 SR'000	2021 SR'000
Reinsurance premiums ceded - General		
- Local reinsurance brokers to foreign companies	61,176	57,298
- Direct foreign reinsurance companies	3,833	3,072
- Local reinsurance brokers to local companies	5,798	1,586
- Direct to local reinsurance companies	858	499
	71,665	62,455
Reinsurance premiums ceded – Life		
- Local reinsurance brokers to foreign companies	2	1,052
	71,667	63,507

9.8 Excess of loss expenses

	2022 SR'000	2021 SR'000
Local reinsurance brokers to foreign companies	14,967	13,575
Local reinsurance brokers to local companies	1,384	281
	16,351	13,856

10. PREPAYMENTS AND OTHER ASSETS

	2022 SR'000	2021 SR'000
Insurance operations		
Prepayments	**32,103**	8,023
Other asset (note 10.1 & 10.2)	**36,095**	33,606
	68,198	41,629
Shareholders' operations		
Accrued interest and other receivable	**624**	158
Prepayments	**152**	105
	776	263
Total	**68,974**	41,892

10.1 Other assets include payment made by the Company in relation to VAT assessment raised by Zakat,Tax and consultant Authority ("ZATCA") for 2018 and 2019 financial years amounting to SR 7.3 million. The payments were made to ZATCA to avoid penalties. However, the Company has submitted objections to the ZATCA assessment. The Company's management believes that there is strong basis that the assessment raised by the ZATCA will be reversed and the full amount will be returned in due course

11. LEASES

11.1 Right-of-use assets

	2022 SR'000	2021 SR'000
Cost:		
Balance as at 1 January,	**4,803**	4,803
Additions	--	--
Balance as at 31 December,	**4,803**	4,803
Accumulated amortization:		
Balance as at 1 January,	**3,248**	2,160
Amortization for the year (note 24)	**1,028**	1,088
Balance as at 31 December,	**4,276**	3,248
Carrying value	**527**	1,555

11.2 Lease liabilities

Lease liabilities as at 1 January and 31 December 2022 are as follows:

	Minimum lease payments SR'000	*Interest* SR'000	*Present value of minimum lease payments* SR'000
31 December 2022	1,224	(1,197)	27
1 January 2022	1,911	(687)	1,224

11. LEASES (continued)

11.2 Lease liabilities (continued)

At 31 December, the maturity of lease liabilities are as follows:

	2022 *SR'000*	*2021* *SR'000*
Non-current portion	**27**	386
Current portion	**--**	838
Balance as at 31 December,	**27**	1,224

The minimum lease payments together with the present value of minimum lease payments as at 31 December 2022 are as follows:

	Minimum lease payments *SR'000*	*Present value of minimum lease payments* *SR'000*
Less than one year	**1,224**	**27**
More than one year	**--**	**--**
Total minimum lease payments	**1,224**	**27**
Finance charges	**(1,197)**	**--**
Present value of minimum lease payments	**27**	**27**

12. PROPERTY AND EQUIPMENT

	Leasehold improvements *SR'000*	*Furniture and fittings* *SR'000*	*Computer and office equipment* *SR'000*	*Motor vehicles* *SR'000*	*Total* *SR'000*
Cost:					
Balance as at 1 January 2021	4,065	2,515	13,978	277	20,835
Additions during the year	27	--	7,097	--	7,124
Balance as at 31 December 2021	4,092	2,515	21,075	277	27,959
Additions during the year	**38**	**32**	**4,631**	--	**4,701**
Balance as at 31 December 2022	**4,130**	**2,547**	**25,706**	**277**	**32,660**
Accumulated depreciation:					
Balance as at 1 January 2021	3,577	1,958	8,610	262	14,407
Depreciation for the year (note 24)	100	84	233	15	432
Balance as at 31 December 2021	3,677	2,042	8,843	277	14,839
Depreciation for the year (note 24)	**102**	**87**	**2,133**	--	**2,322**
Balance as at 31 December 2022	**3,779**	**2,129**	**10,976**	**277**	**17,161**
Net book value:					
31 December 2022	**351**	**418**	**14,730**	--	**15,499**
31 December 2021	415	473	12,232	--	13,120

13. INTANGIBLE ASSETS

	Computer software SR'000
Cost:	
Balance as at 1 January 2021	13,810
Additions during the year	7,639
Disposal during the year	(3,786)
Balance as at 31 December 2021	17,663
Additions during the year	**5,025**
Balance as at 31 December 2022	**22,688**
Accumulated amortization:	
Balance as at 1 January 2021	6,189
Amortization for the year (note 24)	1,848
Balance as at 31 December 2021	8,037
Amortization for the year (note 24)	**1,198**
Balance as at 31 December 2022	**9,235**
Net book value:	
31 December 2022	**13,453**
31 December 2021	9,626

14. STATUTORY DEPOSIT

	2022 SR'000	*2021 SR'000*
Statutory deposit	**75,000**	75,000

a) In compliance with Article 58 of the Implementing Regulations of the Saudi Central Bank ("SAMA"), the Company deposited an amount equivalent to 15% of its paid up share capital, amounting to SAR 75 million in a bank designated by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA and commission accruing on this deposit is payable to SAMA.Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

b) In accordance with the instruction received from the SAMA vide their circular dated 1 March, 2016, the Company has disclosed the commission due on the statutory deposit as at 31 December, 2022 and 2021 as an asset and a liability in these financial statements.

15. DUE TO POLICYHOLDERS

Due to policyholders represent claims and surplus due to certain policyholders. Five policyholders (2021: five policyholders) balance comprises 21% (2021: 34%) of the outstanding balance due to policyholders as at 31 December 2022.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SR'000	2021 SR'000
Insurance operations		
Accrued expenses	**1,503**	1,812
Value added tax payable	**8,147**	4,979
Due to related parties (note 29)	**309**	309
Payable to garages and workshops	**5,862**	1,701
Third party claims payable	**6,546**	9,587
Other liabilities	**15,957**	1,204
	38,324	19,592
Shareholders' operations		
Accrued expenses	**2,331**	2,539
	2,331	2,539
Total	**40,655**	22,131

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2022 SR'000	2021 SR'000
Employees' defined benefit obligations	**6,031**	5,594

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

17.1 Movement of defined benefit obligations

	2022 SR'000	2021 SR'000
Balance as at 1 January,	**5,594**	4,171
Charged to the statement of income	**1,265**	1,858
Charged to the of other comprehensive income/ (loss)	**933**	667
Payment of benefits during the year	**(1,761)**	(1,102)
Balance as at 31 December,	**6,031**	5,594

17.2 Reconciliation of present value of defined benefit obligation

	2022 SR'000	2021 SR'000
Present value of defined benefit obligation as at 1 January,	**5,594**	4,171
Current service costs	**1,058**	988
Financial costs	**207**	870
Actuarial gain from experience adjustments	**933**	667
Payment of benefits during the year	**(1,761)**	(1,102)
Present value of defined benefit obligation as at 31 December,	**6,031**	5,594

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

17.3 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*
Valuation discount rate	**4.50%**	3.2%
Expected rate of increase in salary level across different age bands	**5%**	5%

17.4 Sensitivity analysis

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

	2022	*2021*
Current	**6,031**	5,594
Valuation discount rate		
- Increase by 1%	**5,817**	4,441
- Decrease by 1%	**6,264**	4,820
Expected rate of increase in salary level across different age bands		
- Increase by 1%	**6,275**	4,817
- Decrease by 1%	**5,803**	4,440

The average duration of the defined benefit plan obligation is 4.2 years (2021: 4.2 years) as at 31 December 2022.

18. SURPLUS DISTRIBUTION PAYABLE

	2022 *SR'000*	*2021* *SR'000*
Balance as at 1 January,	**8,738**	8,742
Total income attributed to the insurance operation during the year	--	--
Surplus paid to policyholders	--	(4)
Balance as at 31 December,	**8,738**	8,738

19. ZAKAT

19.1 Zakat base

The Zakat base calculated as at 31 December on the following:

	2022 *SR'000*	*2021* *SR'000*
Equity	**427,112**	314,768
Opening provision and adjustments	**(12,892)**	(7,932)
Net book value of long-term assets	**(162,231)**	(158,192)
	251,989	148,644
Amended net (loss) / profit for the year	**(91,261)**	(62,085)
Zakat base	**160,728**	86,559
Zakat due	**4,018**	2,164

19. ZAKAT (continued)

19.2 Zakat provision

The differences between the financial and the results subject to Zakat are mainly due to certain adjustments in accordance with the relevant Zakat regulations. The movement in the Zakat provision for the year is as follows:

	2022 *SR'000*	*2021* *SR'000*
Balance as at 1 January,	**2,287**	3,268
Provided during the year	**4,018**	2,164
Provision for prior years	--	537
Paid during the year	**(2,069)**	(3,682)
Balance as at 31 December,	**4,236**	2,287

19.3 Status of assessments

The Company filed its Zakat returns for years December 31, 2016 ,2017 ,2018, 2019, 2020 and 2021 obtained the related Zakat certificates.

The Company has finalized its Zakat and withholding status for the period/years from December 31, 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 2,846,754, at the Dispute Resolution Committee.

ZATCA issued the Zakat and WHT assessment for the years ended December 31, 2016 to 2018 and claimed additional Zakat and withholding liabilities, and delay fine of SR 19,934,125. The Company settled Zakat and WHT and its related delay fine for a total of SR 1,994,738 and objected against the remaining differences. The ZATCA rejected the Company's objection. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD", to assign a hearing sessionAccordingly, the hearing session was held on August 29, 2022. However, the committee rejected the objection in full. The company is under the appealing process

ZATCA issued the Zakat assessment for the years ended December 31, 2019 and 2020 and claimed additional Zakat liability of SR 1,386,080 The Company objected against the full assessment. ZATCA issued the revised assessment claiming the same Zakat differences. The Company escalated the said objection to the Committee for Resolution of Tax Violations and Disputes "CRTVD". Accordingly, the hearing session was held on October 3, 2022. Further, please note that the committee has accepted only the Deferred policy acquisition cost and the revised zakat liability is SR 923,112.

20. SHARE CAPITAL

The share capital of the Company is SR 500 million divided into 50 million shares of SR 10 each (31 December 2021: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

	2022		2021	
	Percentage of holding	*Amount SR '000*	*Percentage of holding*	*Amount SR '000*
Founding shareholders	**15%**	**75,000**	15%	75,000
General public	**85%**	**425,000**	85%	425,000
	100%	**500,000**	100%	500,000

21. STATUTORY RESERVE

As required by Article 70 of the Saudi Arabian Insurance Regulations, 20% of the net shareholders' income (after deducting losses brought forward) shall be set aside as a statutory reserve until this reserve amounts to 100% of paid up share capital. No reserve has been set aside during the year as the Company has accumulated losses as at 31 December 2022.

22. CAPITAL MANAGEMENT

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings. As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SR 500 million, statutory reserves of SR 2.17 million and accumulated losses of SR 236.05 million (2021: paid-up share capital of SR 500 million, statutory reserves of SR 2.17 million and accumulated losses of SR 131.73 million) in the statement of financial position. In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year. The following information summarizes the minimum regulatory capital of the Company:

	2022 ***SR'000***	*2021* *SR'000*
Available capital	**140,588**	288,560
Minimum regulatory capital	**(100,000)**	(100,000)
Surplus	**40,588**	188,560

23. GROSS WRITTEN PREMIUMS

	For the year ended 31 December 2022					
	Corporate					
	Small SR '000	**Medium SR '000**	**Large SR '000**	**Total Corporate SR '000**	**Individual SR '000**	**Total Gross written premiums SR '000**
Medical	**2,853**	**5,004**	**52,186**	**60,043**	**--**	**60,043**
Motor	**11,335**	**45,987**	**135,091**	**192,413**	**62,482**	**254,895**
Property, accident and others	**6,782**	**10,430**	**40,404**	**57,616**	**739**	**58,355**
Life	**--**	**--**	**--**	**--**	**--**	**--**
	20,970	**61,421**	**227,681**	**310,072**	**63,221**	**373,293**

23. GROSS WRITTEN PREMIUMS (continued)

	For the year ended 31 December 2021					
	Corporate					
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	12,303	18,973	28,546	59,822	402	60,224
Motor	6,365	16,016	57,586	79,967	96,900	176,867
Property, accident and others	5,423	8,568	42,621	56,612	1,535	58,147
Life	664	164	685	1,513	--	1,513
	24,755	43,721	129,438	197,914	98,837	296,751

24. GENERAL AND ADMINISTRATION EXPENSES

	2022 ***SR'000***	*2021* *SR'000*
Insurance operations		
Employee costs	**51,294**	46,139
Regulatory fees	**2,245**	2,103
Repairs and maintenance	**7,012**	6,913
Depreciation of property and equipment (note 12)	**2,322**	432
Amortization of intangible assets (note 13)	**1,198**	1,848
Amortization of right-of-use assets (note 11)	**1,028**	1,088
Professional fees	**5,604**	4,380
Marketing expenses	**2,270**	4,218
Withholding tax expenses and delay fines	**1,014**	588
VAT expenses	**283**	2,479
Others	**5,329**	2,488
	79,599	72,676
Shareholders' operations		
Legal and professional fees	**834**	986
Board of Directors' remuneration and related expenses	**2,568**	2,592
Others	**535**	302
	3,937	3,880
Total	**83,536**	76,556

25. OTHER INCOME

	2022 ***SR'000***	*2021* *SR'000*
Share of suplus from travel and Covid-19 product (note 25.1)	**8,815**	2,343
Share of surplus from Al Manafeth	**504**	--
Ummrah products	**14,459**	--
Total	**23,778**	2,343

25. OTHER INCOME (continued)

25.1 Share of Suplus from travel and Covid-19 product:

On April 6, 2021, the Company together with 12 other insurance companies (collectively "participant insurance companies") signed the Travel and COVID-19 product agreement relating to compulsory travel insurance in addition to coverage related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of Saudi citizens traveling abroad. The agreement is for two years and automatically renewable for similar period or periods subject to the terms and conditions of the agreement. The main terms of the Travel and COVID-19 product agreement are the following: - The Company obtains 2.5% of Travel and COVID-19 gross premiums written as management fee; and - The Company distributes the net surplus after deducting all expenses to the participant insurance Companies in accordance with the regulations and circulars issued by the Saudi Central Bank ("SAMA") in this regard. The surplus distributable to The Company for Cooperative Insurance and other participant insurance companies is in proportion of the participation in the Travel and COVID-19 product.

26. CLAIMS DEVELOPMENT TABLE

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each 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. The IBNR estimate pertains to claims liability for the years beginning from the year 2016 onwards whose claim experience has not been fully developed.

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

Accident Year	Prior years	2017	2018	2019	2020	2021	2022	Total
At the end of accident	291,557	116,128	131,490	130,804	151,826	227,185	271,771	1,320,761
One year later	452,251	120,192	148,204	166,034	182,537	240,962	--	1,310,180
Two years later	483,989	118,145	148,803	167,801	179,098	--	--	1,097,836
Three years later	495,249	118,099	150,123	166,089	--	--	--	929,560
Four year later	496,374	118,461	149,955	--	--	--	--	764,790
Five years later	497,769	118,436	--	--	--	--	--	616,205
Six or more years later	501,043	--	--	--	--	--	--	501,043
Ultimate paid claims (estimated)	501,043	118,436	149,955	166,089	179,098	240,962	271,771	1,627,354
Cumulative paid claims	500,620	116,739	149,558	165,119	178,630	240,225	210,495	1,561,386
Outstanding claims and IBNR	**423**	**1,697**	**397**	**970**	**468**	**737**	**61,276**	**65,968**

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

27. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy

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

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

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

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

Carrying amounts and fair value

The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. At 31 December 2022 there were no financial instruments held by the Company that were measured at fair value, apart from the investments which are carried at fair value.

		Fair Value			
31 December 2022	***Carrying value SR'000***	***Level 1 SR'000***	***Level 2 SR'000***	***Level 3 SR'000***	***Total SR'000***
Shareholders' operations					
Investments held at FVIS					
- *Equity securities*	**14,569**	**14,569**	--	--	**14,569**
- *Mutual funds*	**25,298**	--	**25,298**	--	**25,298**
Available for sale investment					
-*Equity Shares*	**1,923**	--	--	**1,923**	**1,923**
Held-to-maturity	**5,000**	--	--	**5,000**	**5,000**
	46,790	**14,569**	**25,298**	**6,923**	**46,790**

		Fair Value			
31 December 2021	*Carrying value SR'000*	*Level 1 SR'000*	*Level 2 SR'000*	*Level 3 SR'000*	*Total SR'000*
Shareholders' operations					
-*Equity securities*	16,303	16,303	--	--	16,303
-*Mutual funds*	28,529	--	28,529	--	28,529
Investments held at FVSI					
-Equity Share	1,923	--	--	1,923	1,923
Held-to-maturity	2,000	--	--	2000	2,000
	48,755	16,303	28,529	3,923	48,755

a) The fair value of investments in mutual funds at level 2 is based on the net asset's values communicated by the fund manager, and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

b) As at 31 December 2022, the Company has an investment amounting to SR 1.9 million (31 December 2021: SR 1.9 million) in an unquoted available for sale investment. This investment is held as part of Company's shareholder operations and is stated at cost in the absence of active markets or other means of reliably measuring their fair value.

c) There were no transfers between levels during the years ended 31 December 2022 and 31 December 2021. Further, there were no changes in the valuation techniques during the year from previous years.

28. OPERATING SEGMENTS

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

All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business. Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed income statement. Segment assets and liabilities comprise operating assets and liabilities. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December, 2018.

Segment assets do not include cash and cash equivalents, Murabaha deposits, premiums receivable-net, due from reinsurers-net, investments, prepayments and other assets, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to policyholders, due to reinsurers, due to brokers, employees' defined benefit obligations, lease liabilities, surplus distribution payable, accrued expenses and other liabilities, accrued Zakat and accrued 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 segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December, 2022 and 31 December, 2021, its total revenues, expenses, and net income / (loss) for the year then ended, are as follows:

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022	Insurance Operations								
	Medical	*Motor*	*Property*	*Engineering*	*Marine*	*Accident & liability*	*Total Insurance Operations*	*Shareholders' Operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
ASSETS									
Reinsurers' share of unearned premiums	--	12,632	6,742	3,155	3,084	1,644	27,257	--	27,257
Reinsurers' share of outstanding claims	--	(178)	5,734	369	2,012	3,030	10,967	--	10,967
Reinsurers' share of claims IBNR	--	3,251	270	190	426	381	4,518	--	4,518
Reinsurers' excess of loss claims	1,956	10	98	--	--		2,064	--	2,064
Deferred policy acquisition costs	802	10,339	886	186	213	466	12,892	--	12,892
Unallocated assets	--	--	--	--	--	--	256,564	276,447	533,011
TOTAL ASSETS	2,758	26,054	13,730	3,898	5,735	5,521	314,262	276,447	590,709
LIABILITIES									
Unearned premiums	20,205	109,733	8,249	3,585	3,974	3,906	149,652	--	149,652
Unearned reinsurance commission	--	1,472	1,760	457	872	583	5,144	--	5,144
Outstanding claims	15,674	(2,006)	7,890	450	2,670	6,557	31,235	--	31,235
Claims incurred but not reported	6,251	26,827	320	218	556	561	34,733	--	34,733
Premium deficiency reserve	1,181	11,905	--	--	--	--	13,086	--	13,086
Other technical reserves	685	5,046	837	170	67	131	6,936	--	6,936
Unallocated liabilities	--	--	--	--	--	--	72,106	10,201	82,307
TOTAL LIABILITIES	43,996	152,977	19,056	4,880	8,139	11,738	312,892	10,201	323,093

28. OPERATING SEGMENTS (continued)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021	*Insurance Operations*								
	Medical	*Motor*	*Property*	*Engineering*	*Marine*	*Accident & liability*	*Total Insurance Operations*	*Shareholders' Operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
ASSETS									
Reinsurers' share of unearned premiums	--	7,955	7,407	2,053	2,249	2,043	21,707	--	21,707
Reinsurers' share of outstanding claims	--	2,049	251	469	4,610	4,217	11,596	--	11,596
Reinsurers' share of claims IBNR	--	8,640	5	926	1,344	935	11,850	--	11,850
Reinsurers' excess of loss claims	4,342	150	--	--	--	400	4,892	--	4,892
Deferred policy acquisition costs	455	4,755	1,036	241	266	530	7,283	--	7,283
Unallocated assets	-	-	-	-	-	-	187,658	377,757	565,415
TOTAL ASSETS	4,797	23,549	8,699	3,689	8,469	8,125	244,986	377,757	622,743
LIABILITIES									
Unearned premiums	15,851	68,298	9,465	2,365	3,424	4,432	103,835	--	103,835
Unearned reinsurance commission	-	940	1,607	504	597	732	4,380	--	4,380
Outstanding claims	10,621	13,450	360	503	6,042	9,974	40,950	--	40,950
Claims incurred but not reported	8,365	25,336	17	1,005	1,598	1,034	37,355	--	37,355
Premium deficiency reserve	3,691	8,582	--	--	--	--	12,273	--	12,273
Other technical reserves	157	3,083	702	200	224	306	4,672	--	4,672
Unallocated liabilities	--	--	--	-	-	-	41,084	7,321	48,405
TOTAL LIABILITIES	38,685	119,689	12,151	4,577	11,885	16,478	244,549	7,321	251,870

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME

	For the year ended 31 December 2022						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
REVENUES							
Gross written premiums	60,043	254,895	28,741	3,926	15,713	9,975	373,293
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	(2,410)	(2,205)	(521)	(1,195)	(325)	(6,656)
- Foreign reinsurance	--	(25,279)	(22,585)	(2,910)	(9,971)	(4,266)	(65,011)
	--	(27,689)	(24,790)	(3,431)	(11,166)	(4,591)	(71,667)
Less: Excess of loss expenses							
- Local	(240)	(582)	(208)	(32)	(206)	(116)	(1,384)
- Foreign	(8,356)	(3,424)	(1,181)	(182)	(1,167)	(657)	(14,967)
	(8,596)	(4,006)	(1,389)	(214)	(1,373)	(773)	(16,351)
Net written premiums	51,447	223,200	2,562	281	3,174	4,611	285,275
Changes in unearned premiums, net	(4,354)	(36,759)	551	(117)	284	130	(40,265)
Net premiums earned	47,093	186,441	3,113	164	3,458	4,741	245,010
Reinsurance commissions	--	2,519	5,641	874	2,911	1,649	13,594
Other underwriting income	--	32	12	2	37	15	98
Total revenues	47,093	188,992	8,766	1,040	6,406	6,405	258,702
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	53,756	215,605	721	190	2,164	2,776	275,212
Expenses incurred related to claims	2,085	6,301	--	--	--	--	8,386
Less: Reinsurers' share of claims paid	(5,063)	(23,075)	(425)	(169)	(1,711)	(1,166)	(31,609)
Net claims and other benefits paid	50,778	198,831	296	21	453	1,610	251,989
Changes in outstanding claims, net	7,439	(13,090)	1,950	48	(774)	(1,831)	(6,258)
Changes in IBNR, net	(2,113)	6,879	37	(49)	(125)	82	4,711
Other technical reserves	529	1,963	135	(29)	(157)	(177)	2,264
Net claims and other benefits incurred	56,633	194,583	2,418	(9)	(603)	(316)	252,706
Provision for premium deficiency reserve	(2,510)	3,323	--	--	--	--	813
Policy acquisition costs	1,336	33,400	3,197	438	1,180	1,079	40,630
Total underwriting costs and expenses	55,459	231,306	5,615	429	577	763	294,149
NET UNDERWRITING (LOSS) / INCOME	(8,366)	(42,314)	3,151	611	5,829	5,642	(35,447)

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2022						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
NET UNDERWRITING (LOSS) / INCOME	**(8,366)**	**(42,314)**	**3,151**	**611**	**5,829**	**5,642**	**(35,447)**
OTHER OPERATING (EXPENSES) / INCOME:							
Provision for impairment of premium receivables							**(4,551)**
Reversal of impairment of due from reinsurance							**509**
General and administration expenses							**(83,536)**
Investment loss							**(925)**
Other income							**23,778**
Total other operating expenses, net							**(64,725)**
Loss for the year							**(100,172)**
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							**(100,172)**
Zakat expense for the year							**(4,018)**
Zakat expense for prior years							--
Net loss for the year							**(104,190)**

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2021						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
REVENUES							
Gross written premiums	60,224	176,867	28,911	4,169	14,119	12,461	296,751
Less: Reinsurance contracts premiums ceded							
- Local	--	--	(1,003)	(336)	(562)	(184)	(2,085)
- Foreign	--	(20,195)	(23,139)	(3,255)	(8,879)	(5,954)	(61,422)
		(20,195)	(24,142)	(3,591)	(9,441)	(6,138)	(63,507)
Less: Excess of loss expenses							
- Local	--	--	(104)	(16)	(103)	(58)	(281)
- Foreign	(6,286)	(3,820)	(1,285)	(198)	(1,270)	(715)	(13,575)
	(6,286)	(3,820)	(1,389)	(214)	(1,373)	(773)	(13,856)
Net written premiums	53,938	152,852	3,379	364	3,305	5,550	219,388
Changes in unearned premiums, net	2,485	9,879	(1,051)	95	(218)	455	11,645
Net premiums earned	56,423	162,731	2,328	459	3,087	6,005	231,033
Reinsurance commissions	--	5,052	4,906	1,476	5,821	2,360	19,615
Other underwriting income	10	448	12	4	25	18	517
Total revenues	56,433	168,231	7,246	1,939	8,933	8,383	251,165
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	66,211	168,312	462	1,888	3,245	1,770	241,888
Expenses incurred related to claims	1,833	4,558	--	--	--	--	6,391
Less: Reinsurers' share of claims paid	(8,020)	(30,201)	(334)	(1,692)	(2,554)	(1,039)	(43,840)
Net claims and other benefits paid	60,024	142,669	128	196	691	731	204,439
Changes in outstanding claims, net	(4,601)	5,894	60	(232)	992	3,240	5,353
Changes in IBNR, net	2,939	5,127	224	107	363	261	9,021
Other technical reserves	12	1,125	531	70	87	75	1,900
Net claims and other benefits incurred	58,374	154,815	943	141	2133	4,307	220,713
Provision for premium deficiency reserve	3,691	7,271	--	--	--	--	10,962
Policy acquisition costs	2,073	32,394	3,102	519	1,324	1,528	40,940
Total underwriting costs and expenses	64,138	194,480	4,045	660	3,457	5,835	272,615
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(26,249)	3,201	1,279	5,476	2,548	(21,450)

28. OPERATING SEGMENTS (continued)

STATEMENT OF INCOME (continued)

	For the year ended 31 December 2021						
	Medical SR '000	*Motor* SR '000	*Property* SR '000	*Engineering* SR '000	*Marine* SR '000	*Accident & liability* SR '000	*Total* SR '000
NET UNDERWRITING (LOSS) / INCOME	(7,705)	(26,249)	3,201	1,279	5,476	2,548	(21,450)
OTHER OPERATING (EXPENSES) / INCOME:							
Provision for impairment of premium receivables							(1,204)
Provison for impairment of due from reinsurance							(574)
General and administration expenses							(76,556)
Investment income							13,366
Other income							2,343
Total other operating expenses, net							(62,625)
Loss for the year							(84,075)
Total income attributed to insurance operations							--
Net loss for the year attributable to the shareholders, before Zakat							(84,075)
Zakat expense for the year							(2,164)
Zakat expense for prior years							(537)
Net loss for the year							(86,776)

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	*Relationship*	*Nature of transactions*	*Transactions for the year ended*		*Balance receivable / (payable) as at*	
			2022	*2021*	***2022***	*2021*
			SR'000	*R'000*	***SR'000***	*SR'000*
Insurance operations						
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid		--	**(309)**	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten (note 6)	**133**	105	**6**	(25)
		Claims paid	**(57)**	(12)	**(6)**	(19)
Dabbagh Group	Related to Shareholders	Premiums underwritten (note 6)	**8,010**	10,743	**3,810**	4,862
		Claims paid	**(8,989)**	(11,010)	**(2,851)**	(1,761)
Raghaf Establishment	Related to Shareholders	Premiums underwritten (note 6)	**18**	21	**--**	--
		Claims paid	**(48)**	(25)	**--**	(11)
Key Management Personnel		Short-term benefits	**(3,589)**	(3,072)	**--**	--
		Long-term benefits	**100**	(149)	**(217)**	(853)
Shareholders' operations						
Board of Directors		Board of Directors remuneration and related expenses	**1800**	1,800	**1800**	1,800

- The above balances are included in prepayments and other assets, accrued expenses and other liabilities, premiums receivable - net and due to policyholders. Furthermore, due to related parties in respect of goodwill settled in prior periods is disclosed in the statement of financial position (see note 1.2).

- Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date. This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

30. RISK MANAGEMENT

a. Insurance risk

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

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 78% of total reinsurance assets at the reporting date.

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

Risk management structure

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

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

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

Internal Audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 0.5% of shareholders' equity on a gross basis and 0.5% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 0.5% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Company monitors the concentration of insurance risks primarily by class of business. The table below sets out the concentration of outstanding claims and unearned premiums (in percentage) by class of business at the date of financial positions.

2022	***Gross unearned premiums***	***Net unearned premiums***	***Gross outstanding claims***	***Net outstanding claims***
Medical	**14%**	**17%**	**50%**	**77%**
Motor	**73%**	**79%**	**-6%**	**-9%**
Property	**6%**	**1%**	**25%**	**11%**
Engineering	**2%**	**0%**	**1%**	**0%**
Marine	**3%**	**1%**	**9%**	**3%**
Accident & Liability	**2%**	**2%**	**21%**	**18%**
	100%	**100%**	**100%**	**100%**

2021	*Gross unearned premiums*	*Net unearned premiums*	*Gross outstanding claims*	*Net outstanding claims*
Medical	15%	19%	26%	36%
Motor	66%	73%	33%	39%
Property	10%	3%	1%	0%
Engineering	2%	0%	1%	0%
Marine	3%	2%	15%	5%
Accident & Liability	4%	3%	24%	20%
	100%	100%	100%	100%

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Concentration of insurance risk

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

The Company also monitors the 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 neighbouring 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 the concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

Sources of uncertainty in the estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to the 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.

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

Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details, please refer note 2.5.1.

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.

30. RISK MANAGEMENT (continued)

a. Insurance risk (continued)

Process used to decide on assumptions (continued)

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at 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 the 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 various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

b. Reinsurance risk

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

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

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

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

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those Companies registered and approved by the Local Insurance Regulators. 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 management before approving them for the exchange of reinsurance business. As at 31 December 2021 and 2022, there is no significant concentration of reinsurance balances.

30. RISK MANAGEMENT (continued)

b. Reinsurance risk (continued)

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.

The credit risk exposure in respect of reinsurer's share of outstanding claims is SR 10.96 million (2021: SR 11.59 million) and in respect of due from reinsurers is SR 19.31 million (2021: SR 32.69 million).

c. 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.

- 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 Company stipulates diversification benchmarks by type of instrument and geographical area, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall
- There is strict control over hedging activities (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk)

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 gives a strategic direction and goals, risk management function related to market risk is mainly the responsibility of the 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. The Company maintains a 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.

Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

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 transactions are principally in Saudi Arabian Riyals and US Dollars. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

Commission rate risk
Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company 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 100 basis points in interest yields would result in a change in the (loss) /profit for the year of SR 87.44 million (2021: SR 3.75 million).

30. RISK MANAGEMENT (continued)

c. Market risk (continued)

Commission rate risk (continued)

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

	Less than 3 months *SR '000*	*3 months to 5 years* *SR '000*	*No fixed maturity* *SR '000*	*Total* *SR '000*
Insurance operations				
2022	--	**14,449**	--	**14,449**
2021	14,449	--	--	14,449
Shareholders' operations				
2022	--	**125,000**	--	**125,000**
2021	225,000	--	--	225,000

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

The Company's investments amounting to SR 48.6 million (2021: SR 36.9 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 10% increase and a 10% decrease in the market prices of investments on the Company's profit / (loss) would be as follows:

	Fair value change	*Effect on Company's profit / (loss)* *SR '000*
31 December 2022	**+ / - 10 %**	**+ / -4,679**
31 December 2021	+ / - 10 %	+ / - 4,876

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 tbe Company.

30. RISK MANAGEMENT (continued)

d. Credit risk

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

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

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

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

SAR'000	***2022 SR' 000***		*2021 SR'000*	
	Insurance Operations	***Shareholders' Operations***	*Insurance Operations*	*Shareholders' Operations*
Assets				
Cash and cash equivalents	**4,362**	**789**	24,820	231,292
Murabaha deposits	**14,449**	**125,000**	---	--
Premiums receivable, net	**120,771**	--	63,940	--
Due from reinsurers, net	**19,305**	--	32,967	--
Reinsurers' share of outstanding claims	**10,967**	--	11,596	--
Reinsurers' share of claims incurred but not reported	**4,518**	--	11,850	--
Investments	--	**46,790**	--	48,755
Statutory deposit	--	**75,000**	--	75,000
Accrued commission income on statutory deposit	--	**3,634**	--	2,495
	174,372	**251,213**	145,173	357,542

30. RISK MANAGEMENT (continued)

d. 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. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments 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 management's best estimate. Investment grade is considered to be 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.

		Non-investment grade		
	Investment grade	***Satisfactory***	***Past due but not impaired***	***Total***
	SR' 000	***SR' 000***	***SR' 000***	***SR' 000***
Cash and cash equivalents	**5,151**	--	--	**5,151**
Murabaha deposits	**139,449**	--	--	**139,449**
Premiums receivable, net	--	**109,474**	**11,297**	**120,771**
Due from reinsurers, net	--	**13,130**	**6,175**	**19,305**
Reinsurance share of outstanding claims	--	**10,967**	--	**10,967**
Reinsurance share of outstanding Claims Incurred but not reported	--	**4,518**	--	**4,518**
Investments	**46,790**	--	--	**46,790**
Statutory deposit	**75,000**	--	--	**75,000**
Accrued income on statutory deposit	**3,634**	--	--	**3,634**
As at 31 December 2022	**270,024**	**138,089**	**17,472**	**425,585**

		Non-investment grade		
	Investment grade	*Satisfactory*	*Past due but not impaired*	*Total*
	SR' 000	*SR' 000*	*SR' 000*	*SR' 000*
Cash and cash equivalents	256,112	--	--	256,112
Murabaha deposits	--	--	--	--
Premiums receivable, net	--	52,985	10,955	63,940
Due from reinsurers, net	--	28,014	4,953	32,967
Reinsurance share of outstanding claims	--	11,596		11,596
Reinsurance share of outstanding Claims Incurred but not reported	--	11,850	--	11,850
Investments	48,755	--	--	48,755
Statutory deposit	75,000	--	--	75,000
Accrued income on statutory deposit	2,495	--	--	2,495
As at 31 December 2021	382,362	104,445	15,908	502,715

30. RISK MANAGEMENT (continued)

e. 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 a regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

- 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 specifies 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 relating to financial liabilities:

Financial liabilities	***Up to one year SR' 000***	***More than one year SR' 000***	***Total SR' 000***
Due to policyholders	**5,235**	**4,743**	**9,978**
Accrued expenses and other liabilities	**40,655**	**--**	**40,655**
Due to reinsurers	**5,000**	**215**	**5,215**
Due to brokers	**16,965**	**--**	**16,965**
Outstanding claims	**26,135**	**5,100**	**31,235**
Surplus distribution payable	**8,738**	**--**	**8,738**
Accrued Zakat	**4,236**	**--**	**4,236**
Accrued income payable to SAMA	**--**	**3,634**	**3,634**
As at 31 December 2022	**106,964**	**13,692**	**120,656**

Financial liabilities	*Up to one year SR' 000*	*More than one year SR' 000*	*Total SR' 000*
Due to policyholders	6,684	6,055	12,739
Accrued expenses and other liabilities	22,131	--	22,131
Due to reinsurers	1,034	215	1,249
Due to brokers	8,572	120	8,692
Outstanding claims	29,788	11,162	40,950
Surplus distribution payable	8,738	--	8,738
Accrued Zakat	2,287	--	2,287
Accrued income payable to SAMA	--	2,495	2,495
As at 31 December 2021	79,234	20,047	99,281

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

30. RISK MANAGEMENT (continued)

e. Liquidity risk (continued)

The assets with maturity less than one year are expected to realize as follows:

- Murabaha deposits and fair value through income statement investments include investments in mutual funds and are held for cash management purposes and expected to be matured/ settled within 12 months from the statement of financial position date
- Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with a maturity of less than three months from the date of placement
- Cash and bank balances are available on demand
- Reinsurers' share of outstanding claims mainly pertain to property and engineering segment and are generally realized within 6 to 9 months based on the settlement of balances with reinsurers

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled on a periodic basis as per terms of reinsurance agreements
- Majority of gross outstanding claims are expected to settled within 12 months in accordance with statutory timelines for payment. Property and engineering policies due to the inherent nature are generally settled within 12 months from the date of receipt of loss adjustor report
- The claims payable, accrued expenses and other liabilities are expected to settle within a year of 12 months from the year end date
- Surplus distribution payable is to be settled within 6 months of annual general meeting in which financial statements are approved

f. Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities. The operations of the Company are also subject to regulatory requirements within the jurisdiction within which it operates. 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 to meet unforeseen liabilities as these arise.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	31 December 2022			*31 December 2021*		
	Insurance operations	***Shareholders' operations***	***Total***	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
ASSETS						
Cash and cash equivalents	**4,362**	**789**	**5,151**	24,820	231,292	256,112
Murabaha deposits	**14,449**	**125,000**	**139,449**	--	--	--
Premiums receivable – net	**120,771**	--	**120,771**	63,940	--	63,940
Due from reinsurers – net	**19,305**	--	**19,305**	32,967	--	32,967
Reinsurers' share of unearned premiums	**27,257**	--	**27,257**	21,707	--	21,707
Reinsurers' share of outstanding claims	**10,967**	--	**10,967**	11,596	--	11,596
Reinsurers' share of claims incurred but not reported	**4,518**	--	**4,518**	11,850	--	11,850
Deferred excess of loss claims	**2,064**	--	**2,064**	4,892	--	4,892
Deferred policy acquisition costs	**12,892**	--	**12,892**	7,283	--	7,283
Investments	--	**46,790**	**46,790**	--	48,755	48,755
Prepayments and other assets	**68,198**	**776**	**68,974**	41,630	262	41,892
Right-of-use assets	**527**	--	**527**	1,555	--	1,555
Property and equipment	**15,499**	--	**15,499**	13,120	--	13,120
Intangible assets	**13,453**	--	**13,453**	9,626	--	9,626
Goodwill	--	**36,260**	**36,260**	--	36,260	36,260
Statutory deposit	--	**75,000**	**75,000**	--	75,000	75,000
Accrued income on statutory deposit	--	**3,634**	**3,634**	--	2,495	2,495
Due from Shareholder's operations	--	**(11,802)**	**(11,802)**	--	(16,307)	(16,307)
TOTAL ASSETS	**314,262**	**276,447**	**590,709**	244,986	377,757	622,743

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2022			*As at 31 December 2021*		
	Insurance operations	*Shareholders' operations*	*Total*	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
LIABILITIES AND EQUITY						
LIABILITIES						
Due to policyholders	9,978	--	9,978	12,739	--	12,739
Accrued expenses and other liabilities	38,324	2,331	40,655	19,592	2,539	22,131
Due to reinsurers	5,215	--	5,215	1,249	--	1,249
Due to brokers	16,965	--	16,965	8,692	--	8,692
Unearned premiums	149,652	--	149,652	103,835	--	103,835
Unearned reinsurance commission	5,144	--	5,144	4,380	--	4,380
Outstanding claims	31,235	--	31,235	40,950	--	40,950
Claims incurred but not reported	34,733	--	34,733	37,355	--	37,355
Provision for premium deficiency reserve	13,086	--	13,086	12,273	--	12,273
Other technical reserves	6,936	--	6,936	4,672	--	4,672
Due to shareholders' operations	(11,802)	--	(11,802)	(16,307)	--	(16,307)
End of service indemnities	4,661	--	4,661	5,157	--	5,157
Lease liabilities	27	--	27	1,224	--	1,224
Surplus distribution payable	8,738	--	8,738	8,738	--	8,738
Accrued Zakat	--	4,236	4,236	--	2,287	2,287
Accrued return on statutory deposit	--	3,634	3,634	--	2,495	2,495
TOTAL LIABILITIES	312,892	10,201	323,093	244,549	7,321	251,870
EQUITY						
Share capital	--	500,000	500,000	--	500,000	500,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(235,919)	(235,919)	--	(131,729)	(131,729)
Re-measurement reserve of defined benefit obligations	1,370	--	1,370	437	--	437
TOTAL SHAREHOLDERS' EQUITY	1,370	266,246	267,616	437	370,436	370,873
TOTAL LIABILITIES AND EQUITY	314,262	276,447	590,709	244,986	377,757	622,743

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME

For the year ended	31 December 2022			31 December 2021		
	Insurance operations SR'000	*Shareholder' operations SR'000*	*Total SR'000*	*Insurance operations SR'000*	*Shareholder' operations SR'000*	*Total SR'000*
REVENUES						
Gross written premiums	373,293	--	373,293	296,751	--	296,751
Less: Reinsurance contracts premiums ceded						
- Local	(6,656)	--	(6,656)	(2,085)	--	(2,085)
- Foreign	(65,011)	--	(65,011)	(61,422)	--	(61,422)
	(71,667)		(71,667)	(63,507)		(63,507)
Excess of loss expenses						
- Local	(1,384)	--	(1,384)	(281)	--	(281)
- Foreign	(14,967)	--	(14,967)	(13,575)	--	(13,575)
	(16,351)		(16,351)	(13,856)	--	(13,856)
Net written premiums	285,275	--	285,275	219,388	--	219,388
Changes in unearned premiums, net	(40,265)	--	(40,265)	11,645	--	11,645
Net premiums earned	245,010	--	245,010	231,033	--	231,033
Reinsurance commissions	13,594	--	13,594	19,615	--	19,615
Other underwriting income	98	--	98	517	--	517
TOTAL REVENUES	258,702	--	258,702	251,165	--	251,165
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	275,212	--	275,212	241,888	--	241,888
Expenses incurred related to claims	8,386	--	8,386	6,391	--	6,391
Less: Reinsurers' share of claims paid	(31,609)	--	(31,609)	(43,840)	--	(43,840)
Net claims and other benefits paid	251,989	--	251,989	204,439	--	204,439
Change in outstanding claims, net	(6,258)	--	(6,258)	5,353	--	5,353
Changes in IBNR, net	4,711	--	4,711	9,021	--	9,021
Other technical reserves	2,264	--	2,264	1,900	--	1,900
Net claims and other benefits incurred	252,706	--	252,706	220,713	--	220,713
Provision for premium deficiency reserve	813	--	813	10,962	--	10,962
Policy acquisition costs	40,630	--	40,630	40,940	--	40,940
TOTAL UNDERWRITING COSTS AND EXPENSES	294,149	--	294,149	272,615	--	272,615
NET UNDERWRITING LOSS	(35,447)	--	(35,447)	(21,450)	--	(21,450)

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF INCOME (continued)

For the year ended	*31 December 2022*			*31 December 2021*		
	Insurance operations	*Shareholders' operations*	*Total*	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
OTHER OPERATING (EXPENSES) / INCOME						
Provision for impairment of premium receivables	(4,551)	--	(4,551)	(1,204)	--	(1,204)
Reversal / (provision) for impairment of reinsurance receivables	509	--	509	(574)	--	(574)
General and administration expenses	(79,599)	(3,937)	(83,536)	(72,676)	(3,880)	(76,556)
Investmnet income	281	(1,206)	(925)	257	13,109	13,366
Other income	23,778	--	23,778	2,343	--	2,343
TOTAL OTHER OPERATING EXPENSES/ INCOME	(59,582)	(5,143)	(64,725)	(71,854)	9,229	(62,625)
(Loss) / Income before surplus and zakat	(95,029)	(5,143)	(100,172)	(93,304)	9,229	(84,075)
Deficit transferred to shareholders	95,029	(95,029)	--	93,304	(93,304)	--
Net loss for the year after transfer of deficit to the shareholders before zakat		(100,172)	(100,172)	--	(84,075)	(84,075)
ZAKAT						
Zakat charge for the year	--	(4,018)	(4,018)	--	(2,164)	(2,164)
Zakat charge for prior years		--	--	--	(537)	(537)
NET LOSS FOR THE YEAR	--	(104,190)	(104,190)	--	(86,776)	(86,776)
LOSS PER SHARE						
Weighted average number of shares (in thousands share)		50,000			27,500	
Loss per share(SR/share)		(2.08)			(3.16)	

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended	*31 December 2022*			*31 December 2021*		
	Insurance operations	***Shareholder' operations***	***Total***	*Insurance operations*	*Shareholder' operations*	*Total*
	SR'000	***SR'000***	***SR'000***	*SR'000*	*SR'000*	*SR'000*
NET LOSS FOR THE YEAR	--	**(104,190)**	**(104,190)**	--	(86,776)	(86,776)
Other comprehensive income / (loss)						
Items that will not be reclassified to statement of income in subsequent years						
Actuarial gain / (loss) on defined benefit obligations	**933**	--	**933**	(667)	--	(667)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(104,190)**	**(103,257)**	(667)	(86,776)	(87,443)
Less: Net income attributable to insurance operations			--			--
TOTAL COMPREHENSIVE LOSS THE YEAR			**(103,257)**			(87,443)

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS

For the year ended	*31 December 2022*			*31 December 2021*		
	Insurance operations SR'000	*Shareholders' operations SR'000*	*Total SR'000*	*Insurance operations SR'000*	*Shareholders' operations SR'000*	*Total SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Total loss for the year before zakat	--	(100,172)	(100,172)	--	(84,075)	(84,075)
Adjustments for non-cash items:						
Depreciation	2,322	--	2,322	432	-	432
Amortization of intangible assets	1,198	--	1,198	1,848	--	1,848
Amortization of right-of-use assets	1,028	--	1,028	1,088	--	1,088
Provision / (Reversal) for impairment of premiums receivables	4,551	--	4,551	1,204	--	1,204
Provision for impairment of reinsurance receivables	(509)	--	(509)	574	--	574
Unrealized gain on investments held at FVSI	-	4,966	4,966	--	(11,886)	(11,886)
	8,590	(95,206)	(86,616)	5,146	(95,961)	(90,815)
Changes in operating assets and liabilities:						
Premiums receivable	(61,382)	--	(61,382)	(21,741)	--	(21,741)
Due from reinsurers	14,171	--	14,171	(17,295)	--	(17,295)
Reinsurers' share of unearned premiums	(5,550)	--	(5,550)	15,959	--	15,959
Reinsurer's share of outstanding claims	629	--	629	(1,301)	--	(1,301)
Reinsurer's share of claims incurred but not reported	7,332	--	7,332	(7,926)	--	(7,926)
Reinsurers' excess of loss claims	2,828	--	2,828	(4,449)	--	(4,449)
Deferred policy acquisition costs	(5,609)	--	(5,609)	1,332	--	1,332
Prepayments and other assets	(26,568)	(515)	(27,083)	(8,305)	62	(8,243)
Due from shareholders' operations, net	4,505	(4,505)	--	(12,837)	12,837	--
Due to policyholders	(2,761)	--	(2,761)	1,271	--	1,271
Accrued expenses and other liabilities	18,732	(208)	18,524	(4,608)	239	(4,369)
Due to reinsurers	3,966	--	3,966	(1,251)	--	(1,251)
Due to brokers	8,273	--	8,273	(2,758)	--	(2,758)
Unearned premiums	45,817	--	45,817	(27,604)	--	(27,604)
Unearned reinsurance commission	764	--	764	(2,151)	--	(2,151)

31. SUPPLEMENTARY INFORMATION (continued)

STATEMENT OF CASH FLOWS (continued)

For the year ended	*31 December 2022*			*31 December 2021*		
	Insurance operations	*Shareholders' operations*	*Total*	*Insurance operations*	*Shareholders' operations*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Changes in operating assets and liabilities: (continued)						
Outstanding claims	(9,715)	--	(9,715)	11,100	--	11,100
Claims incurred but not reported	(2,622)	--	(2,622)	16,944	--	16,944
Premium deficiency reserve	813	--	813	10,962	--	10,962
Other technical reserves	2,264	--	2,264	1,902	--	1,902
Employees' defined benefit obligations, net	437	--	437	319	--	319
	(3,676)	(5,228)	(8,904)	(52,433)	13,138	(39,299)
Zakat paid	--	(2,069)	(2,069)	--	(3,682)	(3,682)
Surplus paid to policy holders	--	--	--	(4)	--	(4)
Net cash used in operating activities	4,914	(102,503)	(97,589)	(47,291)	(86,505)	(133,800)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(4,701)	--	(4,701)	(7,124)	--	(7,124)
Purchase of intangible assets	(5,025)	--	(5,025)	(7,639)	--	(7,639)
Disposal of Intangible Assets	--	--	--	3,786	--	3,786
Purchase of investments	(14,449)	(128,000)	(142,449)	--	--	--
				--	--	--
Net cash used in investing activities	(24,175)	(128,000)	(152,175)	(10,977)	--	(10,977)
CASH FLOWS FROM FINANCING ACTIVITIES						
Right Isuue	--	--	--	--	300,000	300,000
Stautory deposit	--	--	--	--	(55,000)	(55,000)
Transaction costs	--	--	-	--	(4,818)	(4,818)
Payment of lease liabilities	(1,197)	--	(1,197)	(687)	--	(687)
Net cash (used) / generated in from financing activities	(1,197)	--	(1,197)	(687)	240,182	239,495
Net decrease in cash and cash equivalents	(20,458)	(230,503)	(250,961)	(58,955)	153,677	94,718
Cash and cash equivalents at the beginning of the year	24,820	231,292	256,112	83,775	77,619	161,394
Cash and cash equivalents at the end of the year	4,362	789	5,151	24,820	231,292	256,112
SUPPLEMENTAL NON-CASH INFORMATION						
Actuarial (loss) /gain on defined benefit obligations	933	--	933	(667)	--	(667)

32. EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income for the year by weighted average number of shares outstanding during the year.

33. COMMITMENTS AND CONTINGENCIES

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

	2022	*2021*
	SR'000	*SR'000*
Letters of guarantee	**300**	300

b) Zakat and withholding tax contingencies have been disclosed in note 19.3.
c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

34. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The Company is in the process of assessing the impact of the new Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. However, the Company is awaiting guidance from the Saudi Central Bank (SAMA) before proceeding with any implementation.

Except for the above and as stated in note 19.3, there have been no significant subsequent events since the year end, that would require disclosures or adjustments in these financial statements.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 20th March 2023.