AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

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

AL SAGR COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

AlKharashi & Co.
Certified Accountants And Auditors

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Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the accompanying financial statements which indicates that the Company incurred a total loss for the year ended December 31, 2022 attributable to the shareholders of Saudi Riyals 73.5 million and had net operating cash outflow of Saudi Riyals 72.3 million and net cash outflow of Saudi Riyals 65.3 million for the year then ended. Further, as of December 31, 2022, the Company's solvency margin of 72.6% remains below the minimum solvency requirements as mandated by the Saudi Central Bank ("SAMA"). The Company has received a letter from SAMA dated December 7, 2022 requiring the Company to submit its rectification measures in accordance with Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law (the "Regulations"). The Company has submitted its planned rectification measures to SAMA, along with the expected timeline when the solvency margin is expected to be in line with the Regulations. The ability of the Company to improve its financial performance and meet the minimum solvency margin requirement is dependent on the favourable outcome and realisation of the Company's planned measures and actions detailed further in Note 1. Further, subsequent to the year ended December 31, 2022, the Company has signed a merger agreement with Gulf Union Al Ahlia Cooperative Insurance Company ("GUACI") on March 22, 2023 which is subject to approval from the regulatory authorities and the shareholders of both GUACI and the Company. The Company intends to continue to conduct business as usual until completion of the merger. These events and conditions, along with other matters as set forth in Note 1 to the accompanying financial statements, indicate the existence of a material uncertainty that may cast a 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	

As at December 31, 2022, outstanding claims, claims incurred but not reported ("IBNR"), additional premium reserves and other technical reserves amounted to Saudi Riyals 54.0 million, Saudi Riyals 48.9 million, Saudi Riyals 26.0 million and Saudi Riyals 4.3 million, respectively.

The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company uses an external actuary ("Appointed Actuary") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates.

Refer to Note 3.9 to the accompanying financial statements for the accounting policy relating to insurance contract liabilities, Note 4 for the disclosure of critical accounting estimates and judgements and Notes 11 and 30.7 for the disclosures of matters related to insurance contract liabilities.

We performed the following procedures:

- Understood, evaluated and tested key controls around the claims handling and provision setting processes;
- Tested the amounts recorded for a sample of claims notified and paid. On a sample basis, we also compared the outstanding claims amounts to the appropriate source documentation to evaluate the valuation of outstanding claims;
- Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence;
- Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy and completeness of underlying claims data utilised by the management's expert in estimating the IBNR, additional premium reserves and other technical reserves by verifying it with the underlying accounting and other records;
- Involved our internal experts to evaluate the Company's actuarial practices and related provisions established and gained comfort over the actuarial report issued by the management's expert. We also performed the following procedures:

(i) Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences;

(ii) Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge;

Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
	(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed; and *(iv)* Our internal experts also performed independent re-projections on IBNR, additional premium reserves and other technical reserves for significant operating segments to compare them with the amounts recorded by management and sought to understand any significant differences. • Assessed the adequacy and appropriateness of the related disclosures in Notes 3.9, 4, 11 and 30.7 to the accompanying financial statements.

Other information

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

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

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

When we read the Company's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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Independent auditors' report to the shareholders of Al Sagr Cooperative Insurance Company (continued)

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

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

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

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.

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April 4, 2023
13 Ramadan 1444H

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

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

	Note	As at December 31, 2022	As at December 31, 2021
ASSETS			
Cash and cash equivalents	6	**222,966,665**	288,218,253
Term deposits	7	**127,000,000**	86,250,000
Premiums and insurers' balances receivable – net	8	**105,209,368**	94,625,682
Reinsurers' share of unearned premiums	11	**28,071,219**	27,491,662
Reinsurers' share of outstanding claims	11	**13,520,235**	35,352,972
Reinsurers' share of claims incurred but not reported	11	**1,712,776**	7,335,432
Deferred policy acquisition costs	9	**15,303,955**	12,522,056
Investments:			
Financial assets at fair value through profit or loss	12	**20,892,516**	57,191,850
Available-for-sale investments	12	**31,385,018**	30,566,914
Prepaid expenses and other assets	10	**33,551,269**	27,536,663
Property and equipment	13	**5,248,300**	5,210,239
Right-of-use assets	15	**2,687,320**	4,405,468
Intangible assets	14	**6,053,180**	5,720,623
Goodwill	16	**25,513,750**	25,513,750
Statutory deposit	17	**21,000,000**	40,000,000
Accrued commission income on statutory deposit	17	**6,025,857**	5,840,536
TOTAL ASSETS		**666,141,428**	753,782,100
LIABILITIES			
Accounts payable	20.1	**4,101,141**	5,855,407
Accrued and other liabilities	20	**48,375,964**	32,321,408
Reinsurers' balances payable		**20,238,618**	17,934,876
Unearned premiums	11	**247,419,269**	246,505,182
Unearned reinsurance commission	21	**3,244,022**	2,776,212
Outstanding claims	11	**53,991,713**	73,835,656
Claims incurred but not reported	11	**48,874,305**	57,758,067
Additional premium reserves	11	**25,972,063**	16,210,289
Other technical reserves	11	**4,290,894**	5,133,997
Lease liabilities	15	**2,616,991**	3,805,657
Due to a related party	18	**1,123,750**	1,123,750
Employee benefit obligations	22	**8,031,606**	9,204,102
Zakat payable	19	**42,653,769**	42,652,370
Accrued commission income payable to SAMA	17	**6,025,857**	5,840,536
Dividend payable		**370,349**	370,349
Surplus distribution payable	26	**18,486,304**	19,177,304
TOTAL LIABILITIES		**535,816,615**	540,505,162
EQUITY			
Share capital	23	**140,000,000**	400,000,000
Accumulated losses		**(10,539,284)**	(197,043,022)
Remeasurement reserve of employee benefit obligations		**4,924,738**	3,375,230
Fair value reserve on investments	12	**(4,060,641)**	6,944,730
NET EQUITY		**130,324,813**	213,276,938
TOTAL LIABILITIES AND EQUITY		**666,141,428**	753,782,100

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

Masood

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

	Note	Year ended December 31, 2022	2021
REVENUES			
Gross premiums written	5	**475,264,474**	438,300,420
Reinsurance premiums ceded:			
- Foreign	5	**(40,311,817)**	(44,856,296)
- Local	5	**(1,894,624)**	(896,176)
Excess of loss premiums:			
- Foreign	5	**(19,605,277)**	(15,091,429)
- Local	5	**(3,691,477)**	(4,473,168)
Net premiums written		**409,761,279**	372,983,351
Changes in unearned premiums	5, 11	**(914,087)**	(75,076,369)
Changes in reinsurers' share of unearned premiums	5, 11	**579,557**	8,542,618
Net premiums earned		**409,426,749**	306,449,600
Reinsurance commissions	21	**6,613,632**	4,628,414
Total revenues		**416,040,381**	311,078,014
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	5, 11	**(389,825,301)**	(373,257,696)
Reinsurers' share of claims paid	5, 11	**23,072,352**	16,772,451
Claims handling expenses		**(26,435,966)**	(20,704,322)
Net claims and other benefits paid		**(393,188,915)**	(377,189,567)
Changes in outstanding claims	11	**19,843,943**	32,717,542
Changes in reinsurers' share of outstanding claims	11	**(21,832,737)**	8,451,217
Changes in claims incurred but not reported	11	**8,883,762**	18,362,989
Changes in reinsurers' share of claims incurred but not reported	11	**(5,622,656)**	(4,666,941)
Net claims and other benefits incurred		**(391,916,603)**	(322,324,760)
Policy acquisition costs	9	**(28,071,527)**	(19,685,854)
Changes in additional premium reserves	11	**(9,761,774)**	(2,185,123)
Changes in other technical reserves	11	**843,103**	994,678
Other underwriting expenses, net	28	**(8,823,649)**	(10,514,254)
Total underwriting costs and expenses, net		**(437,730,450)**	(353,715,313)
NET UNDERWRITING LOSS		**(21,690,069)**	(42,637,299)

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

	Note	Year ended December 31, 2022	2021
OTHER OPERATING EXPENSES			
(Reversal of allowance for) allowance for doubtful debts	8	**1,028,041**	(3,209,443)
General and administrative expenses	27	**(80,877,719)**	(75,485,866)
Investment and commission income		**3,268,377**	6,080,858
Changes in fair value of financial assets at fair value through profit or loss - net	12	**(1,582,067)**	9,609,620
Realized gains on available-for-sale investments	12	**11,580,662**	14,566,572
Reversal of surplus distribution payable	26	**691,000**	16,041,874
Finance costs on lease liabilities	15	**(62,283)**	(129,341)
Other income		**18,747,796**	2,461,940
Total other operating expenses, net		**(47,206,193)**	(30,063,786)
Total loss for the year before surplus attribution and zakat		**(68,896,262)**	(72,701,085)
Surplus attributed to the insurance operations	31	**-**	-
Total loss for the year before zakat		**(68,896,262)**	(72,701,085)
Zakat expense	19	**(4,600,000)**	(1,770,062)
Total loss for the year attributable to the shareholders		**(73,496,262)**	(74,471,147)
Weighted average number of outstanding shares	23	**14,000,000**	14,000,000
Loss per share (expressed in Saudi Riyals per share)			
Basic loss per share	25	**(5.25)**	(5.32)
Diluted loss per share	25	**(5.25)**	(5.32)

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

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

	Note	Year ended December 31, 2022	2021
Total loss for the year attributable to the shareholders		**(73,496,262)**	(74,471,147)
Other comprehensive income			
Items that will not be reclassified to the statement of income in subsequent years			
Remeasurement gain on employee benefit obligations	22	**1,549,508**	1,078,683
Items that will be reclassified to the statement of income in subsequent years			
Net change in fair value of available-for-sale investments	12	**(11,005,371)**	(1,112,855)
Total other comprehensive loss		**(9,455,863)**	(34,172)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(82,952,125)**	(74,505,319)

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

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

	Note	Share capital	Accumulated losses (Note 1)	Remeasurement reserve of employee benefit obligations	Fair value reserve on investments	Total
At January 1, 2022		**400,000,000**	**(197,043,022)**	**3,375,230**	**6,944,730**	**213,276,938**
Total comprehensive (loss) income for the year						
Total loss for the year attributable to the shareholders		**-**	**(73,496,262)**	**-**	**-**	**(73,496,262)**
Remeasurement gain on employee benefit obligations		**-**	**-**	**1,549,508**	**-**	**1,549,508**
Net change in fair value of available-for-sale investments	12	**-**	**-**	**-**	**(11,005,371)**	**(11,005,371)**
Total comprehensive (loss) income for the year		**-**	**(73,496,262)**	**1,549,508**	**(11,005,371)**	**(82,952,125)**
Absorption of accumulated losses against share capital	1	**(260,000,000)**	**260,000,000**	**-**	**-**	**-**
At December 31, 2022		**140,000,000**	**(10,539,284)**	**4,924,738**	**(4,060,641)**	**130,324,813**
At January 1, 2021		400,000,000	(122,571,875)	2,296,547	8,057,585	287,782,257
Total comprehensive (loss) income for the year						
Total loss for the year attributable to the shareholders		-	(74,471,147)	-	-	(74,471,147)
Remeasurement gain on employee benefit obligations		-	-	1,078,683	-	1,078,683
Net change in fair value of available-for-sale investments	12	-	-	-	(1,112,855)	(1,112,855)
Total comprehensive (loss) income for the year		-	(74,471,147)	1,078,683	(1,112,855)	(74,505,319)
At December 31, 2021		400,000,000	(197,043,022)	3,375,230	6,944,730	213,276,938

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

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

	Note	Year ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before surplus attribution and zakat		**(68,896,262)**	(72,701,085)
Adjustments for non-cash items:			
Depreciation of property and equipment	13	**1,744,795**	764,986
Depreciation of right-of-use assets	15	**1,820,678**	2,312,513
Amortization of intangible assets	14	**1,834,536**	603,171
Provision for employee benefit obligations	22	**2,124,595**	2,025,897
Changes in fair value on financial assets at fair value through profit or loss	12	**1,582,067**	(9,609,620)
Realized gains on available-for-sale investments	12	**(11,580,662)**	(14,566,572)
Realized loss on financial assets at fair value through profit or loss	12	**414,794**	1,042,774
Reversal of surplus distribution payable	26	**(691,000)**	(16,041,874)
Finance costs on lease liabilities	15	**62,283**	129,341
(Reversal of allowance for) allowance for doubtful debts	8	**(1,028,041)**	3,209,443
Loss on disposal of property and equipment	13	**3,170**	-
Changes in operating assets and liabilities:			
Unearned premiums	11	**914,087**	75,076,369
Premiums and insurers' balances receivable -net		**(9,555,645)**	(33,996,614)
Reinsurers' share of unearned premiums	11	**(579,557)**	(8,542,618)
Reinsurers' share of outstanding claims	11	**21,832,737**	(8,451,217)
Reinsurers' share of claims incurred but not reported	11	**5,622,656**	4,666,941
Deferred policy acquisition costs	9	**(2,781,899)**	(3,496,594)
Prepaid expenses and other assets		**(6,014,606)**	(5,323,471)
Accrued commission income on statutory deposit		**(185,321)**	(267,033)
Accounts payable		**(1,754,266)**	(1,936,256)
Accrued and other liabilities		**16,054,556**	2,400,325
Reinsurers' balances payable		**2,303,742**	15,232,782
Unearned reinsurance commission	21	**467,810**	(418,858)
Outstanding claims	11	**(19,843,943)**	(32,717,542)
Claims incurred but not reported	11	**(8,883,762)**	(18,362,989)
Additional premium reserves	11	**9,761,774**	2,185,123
Other technical reserves	11	**(843,103)**	(994,678)
Employee benefit obligations paid	22	**(1,747,583)**	(950,419)
Zakat paid	19	**(4,598,601)**	(5,975,210)
Accrued commission income payable to SAMA		**185,321**	267,033
Finance cost paid on lease liabilities		**(62,283)**	(129,341)
Surplus paid to policy holders	26	**-**	(47)
Net cash utilized in operating activities		**(72,316,933)**	(124,565,340)

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

	Note	Year ended December 31, 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of term deposits		**116,250,000**	-
Placement in term deposits		**(157,000,000)**	-
Purchases of financial assets at fair value through profit or loss	12	**(2,518,592)**	(2,171,620)
Purchases of available-for-sale investments	12	**(57,822,062)**	(57,678,718)
Purchases of property and equipment	13	**(1,790,876)**	(1,991,706)
Purchases of intangible assets	14	**(2,167,093)**	(4,460,807)
Proceeds from disposals of available-for-sale investments	12	**57,579,249**	84,650,765
Proceeds from disposals of financial assets at fair value through profit or loss	12	**36,821,065**	54,011,319
Proceeds from disposal of property and equipment		**4,850**	-
Liquidation of statutory deposits	17	**19,000,000**	-
Net cash generated from investing activities		**8,356,541**	72,359,233
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		**(1,291,196)**	(2,912,324)
Dividend paid		**-**	(394)
Net cash utilized in financing activities		**(1,291,196)**	(2,912,718)
Net decrease in cash and cash equivalents		**(65,251,588)**	(55,118,825)
Cash and cash equivalents, beginning of the year		**288,218,253**	343,337,078
Cash and cash equivalents, end of the year	6	**222,966,665**	288,218,253
Supplemental non-cash information:			
Net change in fair value reserve for available-for-sale investments	12	**(11,005,371)**	(1,112,855)
Right-of-use assets recorded against lease liabilities	15	**102,530**	6,717,981
Remeasurement gain on employee benefit obligations	22	**1,549,508**	1,078,683

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

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(All amounts expressed in Saudi Riyals unless otherwise stated)

1. General information

a. Legal status and principal activities

Al Sagr Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company established in Dammam, Kingdom of Saudi Arabia and incorporated on 26 Muharram 1429H (corresponding to February 4, 2008) under commercial registration ("CR") number 1010243765 which was later amended to 2051036871 dated 22 Rabi' I 1429H (corresponding to March 30, 2008). The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to October 11, 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to October 9, 2006). The Company's registered address is P.O. Box 3501, Dammam 32241, Kingdom of Saudi Arabia.

The purpose of the Company is to transact in cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia (the "Law") and its implementing regulations. The Company obtained license from the Saudi Central Bank ("SAMA") to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide license number TMN/13/20083, dated 23 Rabi' I 1429H (corresponding to March 31, 2008). The Company commenced insurance operations on 4 Muharram 1430H (corresponding to January 1, 2009). On 11 Ramadan 1436H (corresponding to June 28, 2015), the Company received approval from SAMA to cancel its reinsurance license.

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

Branch type	Location	CR number
Regional branch	Dammam	2051036871
Regional branch	Jeddah	4030182618
Regional branch	Riyadh	1010243765

b. Going concern and solvency requirements

The Company has incurred a total loss for the year ended December 31, 2022 attributable to the shareholders of Saudi Riyals 73.5 million and had net operating cash outflow of Saudi Riyals 72.3 million and net cash outflow of Saudi Riyals 65.3 million for the year then ended. Further, the Company's solvency margin which was 65.9% as of September 30, 2022, improved to 72.6% as of December 31, 2022 (December 31, 2021: 120.8%), which remains below the minimum solvency requirements as mandated by SAMA. The Company received a letter from SAMA dated December 7, 2022 drawing attention to the Company's deteriorating solvency margin and requiring the Company to submit its rectification measures according to Article 68 of the Regulations for Companies (the "Regulations"). In response to SAMA's letter, the Company has submitted its planned rectification measures to SAMA, according to which the solvency margin is expected to be in line with the Regulations by the third quarter of 2023. The planned rectification measures proposed by the Company include, amongst other things, improved recoverability of premium receivable balances, implementation of better investment strategies, improvement in underwriting policies and processes, reduction in general and administrative expenses and improvement in claims management processes. The ability to meet the solvency margin requirement is dependent on the favourable outcome of such planned rectification measures. Refer Note 30.10 for further details on the regulatory requirements with respect to the solvency margin.

The loss for the year was mainly attributable to the net underwriting position and loss ratio of the Motor segment. Management has prepared a detailed business plan and is taking various performance improvement measures which, among others, include better pricing strategies for Motor and Medical business segments, diversification of insurance portfolio and improvement in controls over processing of claims. However, management's assessment and realisation of its planned measures and actions outlined in the business plan is dependent on a number of factors, estimates and assumptions including the achievement of the projected improvement in the loss ratio of the Motor segment. Accordingly, these events and conditions including realisation of planned measures and actions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

1. General information (continued)

b. *Going concern and solvency requirements* (continued)

Notwithstanding the above, the financial statements have been prepared on a going concern basis as management believes that the Company will be both able to continue its operations and meet its obligations as they fall due within the next 12 months as reflected in the detailed business plan and projected cash flows, for the years from 2023 to 2027, submitted to SAMA. Management expects that results will gradually start reflecting positively on the Company's financial results and such trend is evidenced by favourable underwriting results and significant improvement in loss ratio of the Medical segment since the second quarter of 2021. The underwriting results from the Motor segment have also started to improve gradually towards the later part of 2022 as the loss-making Motor retail third-party liability policies from the previous year have started to expire, average pricing is being gradually improved as recommended by the Company's appointed actuary and through the adjustment of insurance portfolio mix with more focus on Motor corporate business. Management continues to monitor performance indicators of all lines of business and prevailing market conditions and will take the necessary corrective actions and amend its business plan, if necessary.

c. *Reduction in share capital*

The Company had accumulated losses of Saudi Riyals 269.4 million as at September 30, 2022 which exceeded one half of the Company's share capital and reached 67.4% of its share capital. This condition, as per the requirements of Article 150 of the Regulations, required the Company's Board of Directors to hold an extraordinary general assembly meeting ("EOGM") within the period specified by the Regulations to reduce the accumulated losses to less than one half of the share capital or to dissolve the Company before its term set in its By-laws.

Accordingly, the Company obtained the necessary regulatory approvals and its shareholders resolved to reduce the Company's share capital by absorbing accumulated losses amounting to 260.0 million Saudi Riyals in the EOGM held on October 13, 2022, so as to reduce the accumulated losses to less than one half of the share capital. Therefore, the absorption of the accumulated losses against the share capital has been reflected in the statement of financial position for the year ended 31 December 2022.

d. *Merger agreement*

On December 19, 2021, the Board of Directors of the Company resolved to start initial discussions with Gulf Union Al Ahlia Cooperative Insurance Company ("GUACI") to explore the possibility of merging the two companies. The Company signed a non-binding Memorandum of Understanding with GUACI, on September 19, 2022, to evaluate a potential merger between GUACI and the Company. Subsequent to the year ended December 31, 2022, the Company signed a merger agreement with GUACI on March 22, 2023 which is subject to the approval from the regulatory authorities and the shareholders of both GUACI and the Company. As per the terms of the merger agreement:

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

The Company intends to continue to conduct business as usual until completion of the merger.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

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

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

In preparing the Company's financial statements in compliance with IFRS as endorsed in the Kingdom of Saudi Arabia, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized 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 statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in Note 30 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations require clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, income, comprehensive income and cash flows prepared for the insurance operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

(b) Basis of measurement

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

(c) Basis of presentation

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

2. Basis of preparation (continued)

(d) Functional and presentation currency

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

(e) Seasonality of operations

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

3. Significant accounting policies

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

3.1 New and amended standards adopted by the Company

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

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

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

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

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

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

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

- IFRS 17, 'Insurance Contracts'

Overview

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

I. Structure and status of the Implementation project

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

II. Significant judgements and accounting policy choices

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

a) Contracts within / outside the scope of IFRS 17

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

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

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

b) Combination / unbundling of contracts

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

c) Level of aggregation

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

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

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

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

d) Measurement – Overview

IFRS 17 provides the following different measurement models:

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

2. The Variable Fee Approach (VFA):

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

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

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

3. Premium Allocation Approach (PAA)

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

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

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

a) Significant judgements and estimates

i. Discounting methodology:

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

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

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

ii. Risk adjustments for non-financial risks:

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

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

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

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

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

There is no prescribed approach for determining the risk adjustment for non-financial risk for each group of insurance contracts. Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and will calculate the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

The Company will use Mack method for the calculation of risk adjustment percentage using 75th percentile for motor and medical portfolios. However, for other portfolios due to insufficient data the Company will rely on experience judgement of Appointed Actuary and have used suggested percentage for risk adjustment.

iii. Onerosity determination:

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

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

b) Accounting policy choices

i Length of cohorts

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

ii Presentation of insurance finance income or expense

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

iii Unwinding of discount on risk adjustment

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

3. Summary of significant accounting policies (continued)

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

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

II. Significant judgements and accounting policy choices (continued)

f) Accounting policy choices (continued)

iv Expense attribution

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

v Deferral of acquisition costs

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

c) Presentation and Disclosure

<u>Presentation:</u>

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

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

- Insurance Revenue

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

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

g) Presentation and Disclosure (continued)

● Insurance Service Expenses

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

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

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

● Insurance Finance Income and Expenses (IFIE)

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

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

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

● Disclosures

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies (continued)

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

- IFRS 17, 'Insurance Contracts' (continued)

II. Significant judgements and accounting policy choices (continued)

d) Transition

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

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

Accordingly, the Company will:

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

III. Transition impact

The Company estimates that on adoption of IFRS 17 the impact (before zakat) is a decrease in the Company's total equity by Saudi Riyals 46.8 million as at 1 January 2022. The impact on total equity as at 1 January 2023 is currently being estimated and shall be disclosed in the condensed interim financial statements for the period ending 31 March 2023.

	1 January 2022
Estimated (reduction) increase in the Company's total equity	
Change in measurement of reinsurance contract assets	9,999,472
Change in measurement of insurance contract liabilities	(56,760,318)
Estimated impact of adoption of IFRS 17 before zakat (Note A)	**(46,760,846)**

	1 January 2022
Estimated increase (reduction) in the Company's total assets	
Risk adjustment	10,077,260
Discounting	165,715
Impairment of reinsurer balances	(243,503)
Estimated impact of adoption of IFRS 17 on total assets	**9,999,472**

	1 January 2022
Estimated (increase) reduction in the Company's total liabilities	
Loss component	(40,646,364)
Risk adjustment	(16,375,595)
Discounting	1,090,628
Impairment of premiums receivable	(828,987)
Estimated impact of adoption of IFRS 17 on total liabilities	**(56,760,318)**

3. Summary of significant accounting policies (continued)

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

- IFRS 9, 'Financial Instruments'

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

1. Financial assets - Classification

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

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

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

- A **business model assessment** based on fact patterns discussed and agreed with management; and

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

2. Financial assets - Impairment

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

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

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

3. Summary of significant accounting policies (continued)

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

- IFRS 9, 'Financial Instruments' (continued)

2. Financial assets - Impairment (continued)

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

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

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

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

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

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

3. Financial liabilities

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

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. Summary of significant accounting policies (continued)

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

- IFRS 9, 'Financial Instruments' (continued)

4. Transition

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

The Company estimates that on adoption of IFRS 9 the impact (before zakat) is an increase in the Company's total equity by Saudi Riyals 6.9 million as at 1 January 2022. Reclassification of certain financial assets will result in the transfer of respective fair value reserve to accumulated losses with no impact on total equity. The transfer as at 1 January 2022 is expected to be a decrease in accumulated losses and fair value reserve of Saudi Riyals 6.9 million.

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

	1 January 2022
Estimated increase (decrease) in the Company's total equity	
Impairment of financial assets	**(18,410)**
Estimated impact of adoption of IFRS 9 before zakat (Note B)	**(18,410)**

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

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

The Company estimates that, on adoption of IFRS 17 and IFRS 9, the impact of these changes (before zakat) is a decrease in the Company's total equity by Saudi Riyals 46.8 million as at 1 January 2022.

	1 January 2022
Estimated (decrease) increase in the Company's total equity on transition to:	
IFRS 17 (see note A)	**(46,760,846)**
IFRS 9 (see note B)	**(18,410)**
Estimated impact of adoption of IFRS 17 before zakat	**(46,779,256)**

- Amendment to IFRS 16 – Leases on sale and leaseback

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

Effective date:

Annual periods beginning on or after 1 January 2024.

Impact assessment

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

3 Summary of significant accounting policies (continued)

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

- Amendments to IAS 1, Presentation of financial statements' - Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Effective date:

Annual periods beginning on or after 1 January 2024.

Impact assessment

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

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

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

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

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

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

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

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

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

3 Summary of significant accounting policies (continued)

3.3 Revenue recognition

3.3.1 Recognition of premium and reinsurance commissions

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

- Premium written in last three months of the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

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

3.3.2 Commission, dividend income and other income

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

3.4 Insurance contracts

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

3.5 Claims

Claims comprise of amounts payable to policyholders 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 reporting date, whether reported or not. Provisions for reported claims not paid as at reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported 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 in the following year is included in the underwriting account for that year. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. 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 Summary of significant accounting policies (continued)

3.6 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell assets (usually damaged) 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 damaged assets.

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 action against the liable third party.

3.7 Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are determined in a manner consistent with the associated reinsurance contract.

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

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

3.8 Liability adequacy test

At each statement of financial position date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of income by setting up a provision.

3 Summary of significant accounting policies (continued)

3.9 Insurance contract liabilities

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

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

3.10 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. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the 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. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date.

3.11 Unearned reinsurance commission income

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

3 Summary of significant accounting policies (continued)

3.12 Premiums and insurers' balances receivable - net

Premiums and insurers' receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable and are stated at gross less allowance for any uncollectable amount (allowance for doubtful debts) and any impairment in value. Bad debts are written off as incurred. The carrying value of premiums receivable and reinsurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Premiums receivable and reinsurance receivable are derecognized when the de-recognition criteria for financial assets have been met.

3.13 Financial assets

3.13.1 Classification

The Company classifies its financial assets in the following categories:

(a) Loans and receivables

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

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those investments that upon initial recognition are designated at fair value. Such investments are measured and carried at fair value with all changes in fair value being recorded in the statement of income.

(c) Available-for-sale investments

Available-for-sale investments are those investments that are not held-to-maturity nor held for trading.

Investments which are classified as "available-for-sale" are subsequently measured at fair value. For an available-for-sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the statement of comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income should be included in the statement of income for the year. Available-for-sale investments whose fair value cannot be reliably measured are carried at cost less impairment provision.

(d) Held-to-maturity investments

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

3. Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.2 Recognition, measurement and de-recognition

Loans and receivable and investments held-to-maturity are carried at amortized costs less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Financial assets at fair value through profit or loss are measured and carried at fair value. Any subsequent changes to the fair value are included in the statement of income.

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

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

Changes in the fair value of available-for-sale investments are recognised in statement of comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as ‘Realized gains and losses from available-for-sale investments’.

3.13.3 Determination of fair values

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

3. Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.4 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

(b) Financial assets at fair value through profit or loss

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as financial asset at fair value through profit or loss, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. Impairment loss or its reversal is recognized in the statement of income.

(c) Available-for-sale investments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income is removed from equity and recognised in the statement of income. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income.

3.14 Financial liabilities

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

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

3. Summary of significant accounting policies (continued)

3.15 Trade date accounting

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

3.16 Off-setting

Financial assets and 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 recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not off-set in the statement of income unless required or permitted by any accounting standard or interpretation.

3.17 Cash and cash equivalents

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

3.18 Term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement.

3.19 Property and equipment

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

Leasehold improvements principally represent movable structures that can be relocated without incurring any substantial cost and effort. Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

3.20 Goodwill

Goodwill represents excess of the fair value of the purchase consideration payable, as per SAMA's instructions, over the net identifiable assets acquired from Al Sagr Saudi Insurance Company (a sister company). The recoverability of goodwill is tested at each statement of financial position date for impairment or more frequently when changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and its value in use.

3. Summary of significant accounting policies (continued)

3.21 Intangible assets

Intangible assets represent computer software and are measured at cost. Intangible assets with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits. Estimated useful life of software is 4 years. Intangible assets with an infinite useful life (including goodwill) are not subject to amortisation but are tested for impairment at each statement of financial position date or more often if there is an indication of impairment. Intangible assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortisation expense is included in 'General and administrative expenses' under statement of income.

3.22 Impairment of non-financial assets

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

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

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

3.23 Provisions and other liabilities

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

3.24 Employee benefit obligations

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

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

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

3. Summary of significant accounting policies (continued)

3.24 Employee benefit obligations (continued)

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

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

3.25 Dividend distribution

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

3.26 Zakat

The Company is subject to zakat in accordance with the regulations of the GAZT. Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted net income. Additional amounts, if any, are accounted for when determined to be required for payment. Zakat is accrued on a quarterly basis.

3.27 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, except for those arising on available-for-sale financial assets, are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. As the Company's foreign currency transactions are primarily in US dollars which is pegged to Saudi Riyal, foreign exchange gains and losses are not significant.

3.28 Right-of-use assets and lease liabilities

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

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

3. Significant accounting policies (continued)

3.28 Right-of-use assets and lease liabilities (continued)

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

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

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

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

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

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

The Company has used exemption available in IFRS 16 - Leases, for short-term leases and leases of low-value assets. These are recognised on a straight-line basis as an expense in the statement of income and amounted to Saudi Riyals 1.3 million and Saudi Riyals 0.7 million for the year ended December 31, 2022 and 2021, respectively.

4. Critical accounting judgments, estimates and assumptions

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

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(i) Liability arising from claims under insurance contracts

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers. Refer to Note 30.7 for a sensitivity analysis in relation to significant assumptions.

(ii) Impairment of premiums and insurers' balances receivable and goodwill

An estimate of the uncollectible amount of premiums receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience. An increase in the provision rates, keeping all other variables constant, of 5% would decrease the total income before surplus attribution, zakat and income tax by Saudi Riyals 2.2 million (2021: Saudi Riyals 2.8 million). A decrease of 5% would have an equal but opposite effect on the total income before surplus attribution, zakat and income tax.

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, the recoverable amount is less than carrying value, the difference is charged to statement of income as impairment loss. Refer to Note 16 for a sensitivity analysis in relation to significant assumptions.

(iii) Impairment of investments

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments. Also see Note 3.22.

5. Segmental information

Segment results do not include general and administrative expenses, allowances for doubtful debts, investment and commission income, changes in fair value of financial assets at fair value through profit or loss - net, realized gain (loss) on available-for-sale investments, reversal of surplus distribution payable, finance cost on lease liabilities and other income.

Segment assets do not include cash and cash equivalents, term deposits, premiums and insurers' balances receivable - net, investments, prepaid expenses and other assets, property and equipment, intangible assets, right-of-use assets, goodwill, statutory deposits, accrued commission income on statutory deposit and, accordingly, they are included in unallocated assets.

Segment liabilities do not include accounts payable, accrued and other liabilities, reinsurer's balances payable, lease liabilities, due to a related party, employee benefit obligations, zakat payable, accrued commission income payable to SAMA, dividend payable and surplus distribution payable and, accordingly, they are included in unallocated liabilities.

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

The Company's information is presented into business units based on their products and services in the following segments:

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

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

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

Where intersegment transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments, which will then be eliminated at the level of financial statements of the Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
For the year ended December 31, 2022							
REVENUES							
Gross premiums written	232,192,466	191,140,559	51,931,449	-	475,264,474	-	475,264,474
Reinsurance premiums ceded:							
- Foreign	(4,371)	-	(40,307,446)	-	(40,311,817)	-	(40,311,817)
- Local	-	(638,226)	(1,256,398)	-	(1,894,624)	-	(1,894,624)
Excess of loss premiums:							
- Foreign	(14,159,990)	(4,032,492)	(1,412,795)	-	(19,605,277)	-	(19,605,277)
- Local	(2,498,821)	(1,002,941)	(189,715)	-	(3,691,477)	-	(3,691,477)
Net premiums written	215,529,284	185,466,900	8,765,095	-	409,761,279	-	409,761,279
Changes in unearned premiums	(27,366,895)	28,882,984	(2,430,176)	-	(914,087)	-	(914,087)
Changes in reinsurers' share of unearned premiums	(92,385)	232,185	439,757	-	579,557	-	579,557
Net premiums earned	188,070,004	214,582,069	6,774,676	-	409,426,749	-	409,426,749
Reinsurance commissions	15,964	81,208	6,516,460	-	6,613,632	-	6,613,632
Total revenues	188,085,968	214,663,277	13,291,136	-	416,040,381	-	416,040,381
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(136,366,112)	(240,574,377)	(12,884,812)	-	(389,825,301)	-	(389,825,301)
Reinsurers' share of claims paid	9,199,005	2,655,634	11,217,713	-	23,072,352	-	23,072,352
Claims handling expenses	(2,637,141)	(23,798,825)	-	-	(26,435,966)	-	(26,435,966)
Net claims and other benefits paid	(129,804,248)	(261,717,568)	(1,667,099)	-	(393,188,915)	-	(393,188,915)
Changes in outstanding claims	(7,121,857)	95,580	26,870,220	-	19,843,943	-	19,843,943
Changes in reinsurers' share of outstanding claims	2,382,203	266,493	(24,481,433)	-	(21,832,737)	-	(21,832,737)
Changes in claims incurred but not reported	18,966,531	(12,673,231)	2,590,462	-	8,883,762	-	8,883,762
Changes in reinsurers' share of claims incurred but not reported	(2,940,811)	(631,981)	(2,049,864)	-	(5,622,656)	-	(5,622,656)
Net claims and other benefits incurred	(118,518,182)	(274,660,707)	1,262,286	-	(391,916,603)	-	(391,916,603)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(8,832,919)	(13,573,343)	(5,665,265)	-	(28,071,527)	-	(28,071,527)
Changes in additional premium reserves	-	(11,230,062)	1,468,288	-	(9,761,774)	-	(9,761,774)
Changes in other technical reserves	(203,644)	1,999,297	(952,550)	-	843,103	-	843,103
Other underwriting expenses, net	(5,194,677)	(3,269,786)	(359,186)	-	(8,823,649)	-	(8,823,649)
Total underwriting costs and expenses, net	(132,749,422)	(300,734,601)	(4,246,427)	-	(437,730,450)	-	(437,730,450)
NET UNDERWRITING INCOME (LOSS)	55,336,546	(86,071,324)	9,044,709	-	(21,690,069)	-	(21,690,069)
OTHER OPERATING (EXPENSES) INCOME							
Reversal of allowance for doubtful debts					1,028,041	-	1,028,041
General and administrative expenses					(75,693,631)	(5,184,088)	(80,877,719)
Investment and commission income					(608,137)	3,876,514	3,268,377
Changes in fair value of financial assets at fair value through profit or loss - net					184,735	(1,766,802)	(1,582,067)
Realized gain on available-for-sale investments					2,921,717	8,658,945	11,580,662
Finance costs on lease liabilities					(62,283)	-	(62,283)
Reversal of surplus distribution payable					691,000	-	691,000
Other income					18,747,796	-	18,747,796
Total other operating (expenses) income, net					(52,790,762)	5,584,569	(47,206,193)
Total (loss) income for the year before surplus attribution and zakat					(74,480,831)	5,584,569	(68,896,262)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the year before zakat					(74,480,831)	5,584,569	(68,896,262)
Zakat expense					-	(4,600,000)	(4,600,000)
Total (loss) income for the year attributable to the shareholders					(74,480,831)	984,569	(73,496,262)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
For the year ended December 31, 2021							
REVENUES							
Gross premiums written	151,894,601	233,842,820	52,562,999	-	438,300,420		438,300,420
Reinsurance premiums ceded:							
- Foreign	(209,217)	-	(44,647,079)	-	(44,856,296)	-	(44,856,296)
- Local	-	(226,898)	(669,278)	-	(896,176)	-	(896,176)
Excess of loss premiums:							
- Foreign	(10,264,790)	(3,754,545)	(1,072,094)	-	(15,091,429)	-	(15,091,429)
- Local	(3,007,460)	(1,320,621)	(145,087)	-	(4,473,168)	-	(4,473,168)
Net premiums written	138,413,134	228,540,756	6,029,461	-	372,983,351	-	372,983,351
Changes in unearned premiums	8,749,267	(73,343,408)	(10,482,228)	-	(75,076,369)	-	(75,076,369)
Changes in reinsurers' share of unearned premiums	63,847	(30,146)	8,508,917	-	8,542,618	-	8,542,618
Net premiums earned	147,226,248	155,167,202	4,056,150	-	306,449,600	-	306,449,600
Reinsurance commissions	23,986	51,409	4,553,019	-	4,628,414	-	4,628,414
Total revenues	147,250,234	155,218,611	8,609,169	-	311,078,014	-	311,078,014
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(221,759,455)	(148,546,995)	(2,951,246)	-	(373,257,696)	-	(373,257,696)
Reinsurers' share of claims paid	12,727,723	1,902,386	2,142,342	-	16,772,451	-	16,772,451
Claims handling expenses	(3,675,380)	(17,028,942)	-	-	(20,704,322)	-	(20,704,322)
Net claims and other benefits paid	(212,707,112)	(163,673,551)	(808,904)	-	(377,189,567)	-	(377,189,567)
Changes in outstanding claims	49,017,937	(4,834,519)	(11,465,876)	-	32,717,542	-	32,717,542
Changes in reinsurers' share of outstanding claims	(2,529,926)	473,850	10,507,293	-	8,451,217	-	8,451,217
Changes in claims incurred but not reported	26,495,403	(8,720,691)	588,277	-	18,362,989	-	18,362,989
Changes in reinsurers' share of claims incurred but not reported	(2,897,190)	(846,873)	(922,878)	-	(4,666,941)	-	(4,666,941)
Net claims and other benefits incurred	(142,620,888)	(177,601,784)	(2,102,088)	-	(322,324,760)	-	(322,324,760)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
Policy acquisition costs	(8,516,272)	(7,225,072)	(3,944,510)	-	(19,685,854)	-	(19,685,854)
Changes in additional premium reserves	6,875,739	(8,425,964)	(634,898)	-	(2,185,123)	-	(2,185,123)
Changes in other technical reserves	1,534,203	137,049	(676,574)	-	994,678	-	994,678
Other underwriting expenses, net	(3,734,979)	(6,452,861)	(326,414)	-	(10,514,254)	-	(10,514,254)
Total underwriting costs and expenses, net	(146,462,197)	(199,568,632)	(7,684,484)	-	(353,715,313)	-	(353,715,313)
NET UNDERWRITING INCOME (LOSS)	788,037	(44,350,021)	924,685	-	(42,637,299)	-	(42,637,299)
OTHER OPERATING (EXPENSES) INCOME							
Allowance for doubtful debts					(3,209,443)	-	(3,209,443)
General and administrative expenses					(69,600,934)	(5,884,932)	(75,485,866)
Investment and commission income					1,421,744	4,659,114	6,080,858
Changes in fair value of financial assets at fair value through profit or loss - net					(4,719,777)	14,329,397	9,609,620
Realized gain on available-for-sale investments					5,214,381	9,352,191	14,566,572
Finance costs on lease liabilities					(129,341)	-	(129,341)
Reversal of surplus distribution payable					16,041,874	-	16,041,874
Other income					2,461,940	-	2,461,940
Total other operating (expenses) income, net					(52,519,556)	22,455,770	(30,063,786)
Total (loss) income for the year before surplus attribution and zakat					(95,156,855)	22,455,770	(72,701,085)
Surplus attributed to the insurance operations					-	-	-
Total (loss) income for the year before zakat					(95,156,855)	22,455,770	(72,701,085)
Zakat expense					-	(1,770,062)	(1,770,062)
Total (loss) income for the year attributable to the shareholders					(95,156,855)	20,685,708	(74,471,147)

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	Motor	Property and casualty	Protection and savings	Total	Shareholders' operations	Total
December 31, 2022							
Assets							
Reinsurers' share of unearned premiums	-	325,620	27,745,599	-	28,071,219	-	28,071,219
Reinsurers' share of outstanding claims	5,584,651	1,624,843	6,310,741	-	13,520,235	-	13,520,235
Reinsurers' share of claims incurred but not reported	(2,697,940)	(1,369,787)	5,780,503	-	1,712,776	-	1,712,776
Deferred policy acquisition costs	5,411,044	5,757,203	4,135,708	-	15,303,955	-	15,303,955
Segment assets	8,297,755	6,337,879	43,972,551	-	58,608,185	-	58,608,185
Unallocated assets					356,086,845	251,446,398	607,533,243
Total assets					414,695,030	251,446,398	666,141,428
Total liabilities							
Unearned premiums	117,086,188	96,542,491	33,790,590	-	247,419,269	-	247,419,269
Unearned reinsurance commission	-	65,124	3,178,898	-	3,244,022	-	3,244,022
Outstanding claims	35,440,955	8,433,852	10,116,906	-	53,991,713	-	53,991,713
Claims incurred but not reported	6,872,418	35,298,754	6,703,133	-	48,874,305	-	48,874,305
Additional premium reserves	-	25,972,063	-	-	25,972,063	-	25,972,063
Other technical reserves	480,631	1,063,848	2,746,415	-	4,290,894	-	4,290,894
Segment liabilities	159,880,192	167,376,132	56,535,942	-	383,792,266	-	383,792,266
Unallocated liabilities and equity					102,581,142	179,768,020	282,349,162
Total liabilities and equity					486,373,408	179,768,020	666,141,428

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

	Insurance operations						
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**	**Shareholders' operations**	**Total**
December 31, 2021							
Assets							
Reinsurers' share of unearned premiums	92,385	93,435	27,305,842	-	27,491,662	-	27,491,662
Reinsurers' share of outstanding claims	3,202,448	1,358,350	30,792,174	-	35,352,972	-	35,352,972
Reinsurers' share of claims incurred but not reported	242,871	(737,806)	7,830,367	-	7,335,432	-	7,335,432
Deferred policy acquisition costs	3,392,086	5,549,648	3,580,322	-	12,522,056	-	12,522,056
Segment assets	6,929,790	6,263,627	69,508,705	-	82,702,122	-	82,702,122
Unallocated assets					312,470,514	358,609,464	671,079,978
Total assets					395,172,636	358,609,464	753,782,100
Total liabilities							
Unearned premiums	89,719,293	125,425,475	31,360,414	-	246,505,182	-	246,505,182
Unearned reinsurance commission	15,243	18,687	2,742,282	-	2,776,212	-	2,776,212
Outstanding claims	28,319,098	8,529,432	36,987,126	-	73,835,656	-	73,835,656
Claims incurred but not reported	25,838,949	22,625,523	9,293,595	-	57,758,067	-	57,758,067
Additional premium reserves	-	14,742,001	1,468,288	-	16,210,289	-	16,210,289
Other technical reserves	276,987	3,063,145	1,793,865	-	5,133,997	-	5,133,997
Segment liabilities	144,169,570	174,404,263	83,645,570	-	402,219,403	-	402,219,403
Unallocated liabilities and equity					88,110,088	263,452,609	351,562,697
Total liabilities and equity					490,329,491	263,452,609	753,782,100

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Segmental information (continued)

5.1 Gross premiums written - categorization

	Year ended December 31, 2022				
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**
Large corporates	**58,487,829**	**35,950,461**	**35,563,929**	**-**	**130,002,219**
Medium corporates	**38,063,423**	**23,157,616**	**10,613,642**	**-**	**71,834,681**
Small enterprises	**79,539,233**	**17,562,583**	**2,942,491**	**-**	**100,044,307**
Micro enterprises	**33,936,341**	**3,294,378**	**413,566**	**-**	**37,644,285**
Retail	**22,165,640**	**111,175,521**	**2,397,821**	**-**	**135,738,982**
	232,192,466	**191,140,559**	**51,931,449**	**-**	**475,264,474**

	Year ended December 31, 2021				
	Medical	**Motor**	**Property and casualty**	**Protection and savings**	**Total**
Large corporates	47,002,016	15,237,633	37,245,960	-	99,485,609
Medium corporates	23,860,545	10,891,618	11,445,053	-	46,197,216
Small enterprises	53,491,965	8,201,152	2,971,998	-	64,665,115
Micro enterprises	22,578,698	1,118,520	209,524	-	23,906,742
Retail	4,961,377	198,393,897	690,464	-	204,045,738
	151,894,601	233,842,820	52,562,999	-	438,300,420

6. Cash and cash equivalents

	Insurance operations		Shareholders' operations		Total	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash in hand	**49,434**	38,257	**-**	-	**49,434**	38,257
Cash at banks - current accounts	**59,739,867**	51,603,335	**383,131**	42,012,973	**60,122,998**	93,616,308
Time deposits	**27,000,000**	-	**51,000,000**	-	**78,000,000**	-
Money market funds	**20,000,000**	92,506,592	**64,794,233**	102,057,096	**84,794,233**	194,563,688
	106,789,301	144,148,184	**116,177,364**	144,070,069	**222,966,665**	288,218,253

Cash at banks is placed with counterparties that have investment grade credit ratings.

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Term deposits

Term deposits at December 31, 2022 are short-term in nature and are placed with local banks and financial institutions with an original maturity of more than three months but less than or equal to twelve months from the date of placement. These deposits earn commission income at an average rate of 1.10% to 6.60 % per annum (December 31, 2021: Nil).

Such deposits are classified under loan and receivables category for financial assets, and are carried at amortized cost.

8. Premiums and insurers' balances receivable - net

	December 31, 2022	**December 31, 2021**
Premiums receivable	**135,358,467**	123,844,800
Premiums receivable from related parties (Note 18)	**-**	8,933,939
Receivable from insurance and reinsurance companies	**8,307,671**	1,331,754
	143,666,138	134,110,493
Less: allowance for doubtful debts		
Premiums receivable	**(37,854,692)**	(35,221,599)
Premiums receivable from related parties	**-**	(3,737,068)
Receivable from insurance and reinsurance companies	**(602,078)**	(526,144)
	(38,456,770)	(39,484,811)
	105,209,368	94,625,682

Movement in the allowance for doubtful debts is as follows:

	December 31, 2022	**December 31, 2021**
At the beginning of the year	**39,484,811**	36,275,368
(Reversal) charge for the year	**(1,028,041)**	3,209,443
At the end of the year	**38,456,770**	39,484,811

The aging analysis of premiums and insurers' balances receivable at the year-end is set out in the next page:

(All amounts expressed in Saudi Riyals unless otherwise stated)

8. Premiums and insurers' balances receivable - net (continued)

2022	Total	Neither impaired nor past due	Past due and impaired: 91-180 days	181-360 days	More than 360 days
Premiums receivable	**135,358,467**	**73,922,167**	**15,941,137**	**6,655,264**	**38,839,899**
Premiums receivable from related parties	**-**	**-**	**-**	**-**	**-**
Receivable from insurance and reinsurance companies	**8,307,671**	**7,501,381**	**3,520**	**-**	**802,770**
	143,666,138	**81,423,548**	**15,944,657**	**6,655,264**	**39,642,669**
Less: allowance for doubtful debts					
Premiums receivable	**(37,854,692)**	**-**	**(2,391,171)**	**(1,663,816)**	**(33,799,705)**
Premiums receivable from related parties	**-**	**-**	**-**	**-**	**-**
Receivable from insurance and reinsurance companies	**(602,078)**	**-**	**-**	**-**	**(602,078)**
	(38,456,770)	**-**	**(2,391,171)**	**(1,663,816)**	**(34,401,783)**
	105,209,368	**81,423,548**	**13,553,486**	**4,991,448**	**5,240,886**

2021	Total	Neither impaired nor past due	Past due and impaired: 91-180 days	181-360 days	More than 360 days
Premiums receivable	123,844,800	63,639,014	17,693,251	4,972,475	37,540,060
Premiums receivable from related parties	8,933,939	1,335,410	421,406	3,417,970	3,759,153
Receivable from insurance and reinsurance companies	1,331,754	527,570	-	118,452	685,732
	134,110,493	65,501,994	18,114,657	8,508,897	41,984,945
Less: allowance for doubtful debts					
Premiums receivable	(35,221,599)	-	(2,653,988)	(1,243,119)	(31,324,492)
Premiums receivable from related parties	(3,737,068)	-	(63,210)	(854,493)	(2,819,365)
Receivable from insurance and reinsurance companies	(526,144)	-	-	(11,845)	(514,299)
	(39,484,811)	-	(2,717,198)	(2,109,457)	(34,658,156)
	94,625,682	65,501,994	15,397,459	6,399,440	7,326,789

(All amounts expressed in Saudi Riyals unless otherwise stated)

8. Premiums and insurers' balances receivable - net (continued)

Premium and insurers' balances receivable outstanding above 90 days amounted to Saudi Riyals 62.2 million (2021: Saudi Riyals 68.6 million) against which a provision of Saudi Riyals 38.5 million (2021: Saudi Riyals 39.5 million) was established.

Premiums receivable, balances receivable from insurance and reinsurance companies and premiums receivable from related parties comprise a large number of customers, reinsurance companies and related parties mainly within the Kingdom of Saudi Arabia. The Company's terms of business generally require premiums to be settled within 90 days. In addition to that the Company is offering premium settlements on instalment basis which are based on the total amount of policy premium. Arrangements with reinsurers normally require settlement as per the reinsurance agreements.

Unimpaired premium balances receivable from insurance and reinsurance companies and from related parties are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and therefore such receivable balances are unsecured.

9. Deferred policy acquisition costs

	2022	**2021**
At January 1	**12,522,056**	9,025,462
Incurred during the year	**30,853,426**	23,182,448
Amortised during the year	**(28,071,527)**	(19,685,854)
At December 31	**15,303,955**	12,522,056

10. Prepaid expenses and other assets

	Insurance operations		**Shareholders' operations**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Deferred supervision fees	**6,726,016**	13,857,916	**-**	-
Other prepaid expenses	**3,609,713**	3,382,027	**-**	-
Receivable from Arab War Risks Insurance Syndicate	**2,572,185**	2,560,549	**-**	-
Value added tax ("VAT") recoverable	**2,289,066**	1,457,101	**-**	-
Employees' receivable	**1,326,549**	1,234,687	**-**	-
Receivable from Manafeth Fund	**11,308**	882,846	**-**	-
Receivable from Umrah Fund	**13,878,000**	191,374	**-**	-
Accrued income	**954,994**	141,610	**515,481**	1,504,068
Other	**1,602,260**	2,132,628	**65,697**	191,857
	32,970,091	25,840,738	**581,178**	1,695,925

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Technical reserves

11.1 Outstanding claims and reserves

Movement in outstanding claims and reserves is as follows:

	2022		
	Gross	**Reinsurance**	**Net**
January 1	**131,593,723**	**(42,688,404)**	**88,905,319**
Claims paid	**(389,825,301)**	**23,072,352**	**(366,752,949)**
Claims incurred	**361,097,596**	**4,383,041**	**365,480,637**
December 31	**102,866,018**	**(15,233,011)**	**87,633,007**
Outstanding claims	**53,991,713**	**(13,520,235)**	**40,471,478**
Claims incurred but not reported	**48,874,305**	**(1,712,776)**	**47,161,529**
	102,866,018	**(15,233,011)**	**87,633,007**
Additional premium reserves:			
Premium deficiency reserve	**25,972,063**	**-**	**25,972,063**
Other technical reserves:			
Unallocated loss adjustment expense reserve	**4,290,894**	**-**	**4,290,894**
Outstanding claims and reserves	**133,128,975**	**(15,233,011)**	**117,895,964**

	2021		
	Gross	**Reinsurance**	**Net**
January 1	182,674,254	(38,904,128)	143,770,126
Claims paid	(373,257,696)	16,772,451	(356,485,245)
Claims incurred	322,177,165	(20,556,727)	301,620,438
December 31	131,593,723	(42,688,404)	88,905,319
Outstanding claims	73,835,656	(35,352,972)	38,482,684
Claims incurred but not reported	57,758,067	(7,335,432)	50,422,635
	131,593,723	(42,688,404)	88,905,319
Additional premium reserves:			
Premium deficiency reserve	16,210,289	-	16,210,289
Other technical reserves:			
Unallocated loss adjustment expense reserve	5,133,997	-	5,133,997
Outstanding claims and reserves	152,938,009	(42,688,404)	110,249,605

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. Technical reserves (continued)

11.2 Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	December 31, 2022		
	Gross	**Reinsurance**	**Net**
Balance at beginning of the year	**246,505,182**	**(27,491,662)**	**219,013,520**
Premium written during the year	**475,264,474**	**(65,503,195)**	**409,761,279**
Premium earned during the year	**(474,350,387)**	**64,923,638**	**(409,426,749)**
Balance at end of the year	**247,419,269**	**(28,071,219)**	**219,348,050**

	December 31, 2021		
	Gross	**Reinsurance**	**Net**
Balance at beginning of the year	171,428,813	(18,949,044)	152,479,769
Premium written during the year	438,300,420	(65,317,069)	372,983,351
Premium earned during the year	(363,224,051)	56,774,451	(306,449,600)
Balance at end of the year	246,505,182	(27,491,662)	219,013,520

12. Investments

a) *Investments are classified as follows:*

	Insurance operations		Shareholders' operations		Total	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss	**11,978,237**	10,861,302	**8,914,279**	46,330,548	**20,892,516**	57,191,850
Available-for-sale investments	**12,151,048**	10,408,278	**19,233,970**	20,158,636	**31,385,018**	30,566,914
	24,129,285	21,269,580	**28,148,249**	66,489,184	**52,277,534**	87,758,764

b) *Category wise investment analysis is as follows:*

	Insurance operations		Shareholders' operations	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Quoted	**9,427,968**	9,163,850	**19,233,970**	49,785,557
Unquoted	**14,701,317**	12,105,730	**8,914,279**	16,703,627
	24,129,285	21,269,580	**28,148,249**	66,489,184

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

	December 31, 2022	December 31, 2021
Mutual funds	**20,892,516**	57,191,850
Ordinary shares	**31,385,018**	30,566,914
Total	**52,277,534**	87,758,764

Management has performed a review of the available-for-sale investments and financial assets at fair value through profit or loss, to assess whether impairment has occurred in the value of these investments. Based on specific information, management is of the view that no impairment is required in respect of such investments. All investments are denominated in Saudi Riyals and United States Dollars. As at the reporting date investments amounting to Saudi Riyals 20.9 million (December 31, 2021: Saudi Riyals 57.2 million) are denominated in United States Dollars.

d) *Movement in financial assets at fair value through profit or loss is as follows:*

	Insurance operations		Shareholders' operations	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
At the beginning of the year	**10,861,302**	26,064,650	**46,330,548**	74,400,053
Acquisitions during the year	**2,233,478**	-	**285,114**	2,171,620
Disposals during the year	**(886,484)**	(9,440,797)	**(35,934,581)**	(26,024,610)
Changes in fair value - net	**184,735**	(4,719,777)	**(1,766,802)**	14,329,397
Realised loss on disposal	**(414,794)**	(1,042,774)	**-**	(18,545,912)
At the end of the year	**11,978,237**	10,861,302	**8,914,279**	46,330,548

(All amounts expressed in Saudi Riyals unless otherwise stated)

12. Investments (continued)

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

	Insurance operations		Shareholders' operations	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
At the beginning of the year	**10,408,278**	13,938,299	**20,158,636**	30,146,945
Acquisitions during the year	**19,338,832**	32,933,817	**38,483,230**	24,744,901
Disposals during the year	**(18,957,732)**	(40,905,864)	**(38,621,517)**	(43,744,901)
Unrealised loss	**(1,560,047)**	(772,355)	**(9,445,324)**	(340,500)
Realised gains on disposal	**2,921,717**	5,214,381	**8,658,945**	9,352,191
At the end of the year	**12,151,048**	10,408,278	**19,233,970**	20,158,636

f) Movement in fair value reserve on available-for-sale investments is as follows:

	Insurance operations	Shareholders' operations	Total
As of January 1, 2021	1,483,198	6,574,387	8,057,585
Change in fair value	4,442,026	9,011,691	13,453,717
Realized gains on disposal of investments	(5,214,381)	(9,352,191)	(14,566,572)
As at December 31, 2021	710,843	6,233,887	6,944,730
As of January 1, 2022	**710,843**	**6,233,887**	**6,944,730**
Change in fair value	**1,361,670**	**(786,379)**	**688,024**
Realized gains on disposal of investments	**(2,921,717)**	**(8,658,945)**	**(11,693,395)**
As at December 31, 2022	**(849,204)**	**(3,211,437)**	**(4,060,641)**

g) Geographical concentration:

The maximum exposure to credit and price risk for financial assets at fair value through profit or loss and available-for-sale at the reporting date by geographic region is as follows:

	Insurance operations		Shareholders' operations	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Kingdom of Saudi Arabia	**22,101,403**	18,428,094	**19,233,970**	20,158,636
Singapore	**2,027,882**	2,841,486	**-**	-
United States of America	**-**	-	**8,914,279**	16,703,627
United Arab Emirates	**-**	-	**-**	29,626,921
	24,129,285	21,269,580	**28,148,249**	66,489,184

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Property and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2022	**5,574,112**	**4,651,311**	**6,549,931**	**517,800**	**17,293,154**
Additions	**128,047**	**973,095**	**689,734**	**-**	**1,790,876**
Disposals	**-**	**(27,135)**	**-**	**-**	**(27,135)**
At December 31, 2022	**5,702,159**	**5,597,271**	**7,239,665**	**517,800**	**19,056,895**
Accumulated depreciation:					
At January 1, 2022	**3,473,692**	**2,900,398**	**5,198,372**	**510,453**	**12,082,915**
Charge for the year	**351,964**	**454,699**	**930,785**	**7,347**	**1,744,795**
Disposals	**-**	**(19,115)**	**-**	**-**	**(19,115)**
At December 31, 2022	**3,825,656**	**3,335,982**	**6,129,157**	**517,800**	**13,808,595**
Net book value:					
At December 31, 2022	**1,876,503**	**2,261,289**	**1,110,508**	**-**	**5,248,300**

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicles	Total
Cost:					
At January 1, 2021	4,449,936	4,011,581	6,322,131	517,800	15,301,448
Additions	1,124,176	639,730	227,800	-	1,991,706
At December 31, 2021	5,574,112	4,651,311	6,549,931	517,800	17,293,154
Accumulated depreciation:					
At January 1, 2021	3,246,855	2,647,315	4,914,667	509,092	11,317,929
Charge for the year	226,837	253,083	283,705	1,361	764,986
At December 31, 2021	3,473,692	2,900,398	5,198,372	510,453	12,082,915
Net book value:					
At December 31, 2021	2,100,420	1,750,913	1,351,559	7,347	5,210,239

Depreciation is charged to the statement of income on a straight-line basis based on the following estimated useful lives:

	Years
Leasehold improvements	10
Furniture, fixtures and office equipment	4-10
Computers	4
Motor vehicles	4

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Property and equipment (continued)

The assets' useful lives are reviewed at the end of each reporting date and adjusted, if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income under other income.

14. Intangible assets

	Computer software	
Cost:	**2022**	**2021**
At January 1	**11,105,855**	6,645,048
Additions	**2,167,093**	4,460,807
At December 31	**13,272,948**	11,105,855
Amortization:		
At January 1	**5,385,232**	4,782,061
Charge for the year	**1,834,536**	603,171
At December 31	**7,219,768**	5,385,232
Net book value:		
At December 31	**6,053,180**	5,720,623

Also refer Note 3.21.

15. Right-of-use assets and lease liabilities

a) Amounts recognised in the statement of financial position

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

Right-of-use assets

	2022		
	Office premises	**Point-of-sale stores**	**Total**
Cost			
At January 1	**3,776,034**	**2,941,947**	**6,717,981**
Additions during the year	**-**	**102,530**	**102,530**
At December 31	**3,776,034**	**3,044,477**	**6,820,511**
Accumulated depreciation			
At January 1	**1,126,125**	**1,186,388**	**2,312,513**
Charge for the year	**869,897**	**950,781**	**1,820,678**
At December 31	**1,996,022**	**2,137,169**	**4,133,191**
Net book value			
At December 31, 2022	**1,780,012**	**907,308**	**2,687,320**
At December 31, 2021	2,649,909	1,755,559	4,405,468

(All amounts expressed in Saudi Riyals unless otherwise stated)

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

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

Lease liabilities

	December 31, 2022	**December 31, 2021**
Within one year	**1,732,498**	1,832,496
Later than one year but not later than five years	**935,000**	2,090,246
	2,667,498	3,922,742
Future finance costs	**(50,507)**	(117,085)
Total lease liabilities	**2,616,991**	3,805,657
Current	**1,851,673**	1,762,526
Non-current	**765,318**	2,043,131
	2,616,991	3,805,657

Movement in lease liabilities is as follows:

	2022	**2021**
January 1	**3,805,657**	-
Additions during the year	**102,530**	6,717,981
Finance costs on lease liabilities	**62,283**	129,341
	3,970,470	6,847,322
Payments during the year	**(1,353,479)**	(3,041,665)
At December 31	**2,616,991**	3,805,657

b) Amounts recognised in the statement of income

Total finance costs recognised in the statement of income pertaining to lease liabilities amounted to Saudi Riyals 0.06 million for the year ended December 31, 2022. Expenses relating to short-term leases and low-value leases amounted to Saudi Riyals 1.3 for the year ended December 31, 2022 (December 31, 2021: Saudi Riyals 0.7 million).

c) Details for leasing activities of the Company

The Company leases office premises and various point-of-sale stores across the Kingdom of Saudi Arabia. Rental contracts are typically made for a period of 6 months to 5 years but may have extension options.

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

16. Goodwill

The Company commenced its insurance operations on January 1, 2009. The Company's General Assembly approved on February 1, 2009 for the Company to enter into an agreement whereby it acquired the entire business (net identifiable assets) of Al Sagr Saudi Insurance Company with effect from January 1, 2009 at a goodwill of Saudi Riyals 39 million as set forth in SAMA's letter in this respect after completing the related procedures as required under SAMA's letter on November 10, 2008. The Company has later adjusted goodwill amount by reducing Saudi Riyals 13.5 million in line with SAMA correspondence in this respect bringing it to Saudi Riyals 25.5 million. The Company has paid Saudi Riyals 9.9 million during 2011 and Saudi Riyals 15.6 million in 2012 against goodwill to the shareholders of Al Sagr Saudi Insurance Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

16. Goodwill (continued)

For the impairment testing, management has identified a single cash generating unit ("CGU") and determines the recoverable amount of the CGU based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows, based on the most recent five years' business plan, and use of an appropriate discount rate. Cash flows beyond five-years' period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with the forecasts included in industry reports specific to the industry in which the CGU operates. Actual conditions may differ from assumptions and thus actual cash flows may be different to those expected with a potential material effect on the recoverability of amounts. The calculation of value in use is most sensitive to the assumptions related to the compound annual growth in gross premiums written and average claims ratio, which are determined keeping in view the historical performance, recent market and industry trends and expected outcome of various performance improvement measures being implemented by the management. The key significant assumptions used in the determination of expected discounted cash flows for the next 5 years are:

Key assumptions	**%**
Compound annual growth in gross premiums written	11.2
Average claims ratio	76.3
Weighted average cost of capital	12.0
Long-term growth rate	2.0

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

Sensitivity to the changes in key assumptions

The estimated recoverable amount of the CGU exceeded its carrying value by approximately Saudi Riyals 117.1 million. Management has identified that a reasonably possible change in the below given key assumptions could cause the carrying amount to exceed the recoverable amount.

Compound annual growth in gross premiums written

The gross premiums written growth in the forecast period has been estimated to be compound annual growth rate of 11.2%. If all other assumptions kept the same, a reduction of this growth rate from 11.2% to 7.58% would give a value-in-use equal to the current carrying amount.

Average claims ratio

The average claims ratio in the forecast period has been estimated to be 76.3%. If all other assumptions kept the same, an increase of this ratio from 76.3% to 81.4% would give a value-in-use equal to the current carrying amount.

Weighted average cost of capital

The weighted average cost of capital in the forecast period has been estimated to be 12.0%. If all other assumptions kept the same, a increase of this discount rate from 12.0% to 19.4% would give a value in use equal to the current carrying amount.

17. Statutory deposit

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

In accordance with the instruction received from SAMA vide their circular dated March 1, 2016, the Company has disclosed the commission due on the statutory deposit as at December 31, 2021 as an asset and a liability in these financial statements. During the year ended December 31, 2022, the Company had liquidated statutory deposits amounting to Saudi Riyals 19.0 million, on account of reduction in their share capital as explained in Note 1.

(All amounts expressed in Saudi Riyals unless otherwise stated)

18. 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.

a) *The following are the details of the major related party transactions during the year ended December 31:*

	Transactions for the year ended	
	December 31, 2022	**December 31, 2021**
Shareholders		
Gross premium written	**1,125,690**	5,194,867
Rent expense	**(334,534)**	(1,183,827)
Reinsurance commission income	**15,964**	44,647
Reinsurers' share of claims paid	**243,036**	143,740
Reinsurance premium ceded	**(4,371)**	(915,110)
Gross claims incurred	**(111,144)**	(4,372,340)

b) *The following are the details of the major related party balances as at December 31:*

	Balances receivable (payable) as at	
	December 31, 2022	**December 31, 2021**
Shareholders		
Premiums receivable from related parties	**-**	8,933,939
Gross outstanding claims payable	**-**	(874,603)
Reinsurance premium payable	**16,803**	(529,196)
Key management personnel		
Directors' remuneration and meeting fee payable	**(3,323,889)**	(4,238,611)

c) *The compensation of key management personnel during the year ended December 31, is as follows:*

	2022	**2021**
Salaries and benefits	**10,237,483**	11,327,804
Employee benefit obligations	**454,977**	594,781
	10,692,460	11,922,585

Key management personnel includes senior manageemnt and department heads.

d) Board of Directors' fees for the year ended December 31, 2022 was Saudi Riyals 3.3 million (December 31, 2021: Saudi Riyals 4.3 million).

e) Due to a related party

Due to a related party represents amounts payable to Al Sagr Saudi Insurance Company (B.S.C).

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

19. Zakat

a) *Zakat charge for the year*

The charge for the year for zakat is as follows:

	2022	**2021**
Charge for the year	**4,600,000**	1,770,062

b) *Zakat base*

The principal elements of zakat base are as following:

	December 31, 2022	**December 31, 2021**
Opening shareholders' equity	**213,276,938**	287,782,257
Non-current assets	**38,327,337**	143,021,398
Goodwill	**25,513,750**	25,513,750
Adjusted net loss	**(68,896,262)**	(72,701,085)

The difference between the financial results and adjusted net income is mainly due to adjustments for certain costs based on relevant regulations.

c) *Movement in the provision for zakat during the year*

	2022	**2021**
At January 1	**42,652,370**	46,857,518
Provisions		
- For current year	**3,678,013**	3,676,614
-Adjustments related to prior years	**921,987**	(1,906,552)
	4,600,000	1,770,062
Paid during the year	**(4,598,601)**	(5,975,210)
At December 31	**42,653,769**	42,652,370

d) *Shareholding subject to zakat*

The following is the shareholding percentage subject to zakat in these financial statements as at the end of the year:

	December 31,2022	**December 31, 2021**
Shareholding percentage subject to zakat	100%	100%

(All amounts expressed in Saudi Riyals unless otherwise stated)

19. Zakat (continued)

e) Zakat assessments

During the year ended December 31, 2020, the Company received final zakat assessments for the years from 2012 to 2018. Total additional zakat liability as per the assessments amounted to Saudi Riyals 36.3 million for such years. The Company had filed an appeal with General Secretariat of Zakat Committees (high committees) against the assessments and in-parallel had submitted a settlement request with the Zakat, Tax and Customs Authority ("ZATCA")-Settlement committee. During the year ended December 31, 2021, the ZATCA-Settlement committee offered to decrease the zakat assessments to Saudi Riyals 36.2 million, which the Company did not accept and, accordingly, continued with the appeal filed with General Secretariat of Zakat Committees (high committees), which also issued the decision and the final additional zakat liability was assessed at Saudi Riyals 36.2 million. The Company had filed an appeal with the Appellate Committee for the resolution of tax disputes against the assessment, which was rejected and the Company is in the process of filing the second appeal.

During the year ended December 31, 2021, the Company had received preliminary assessment from ZATCA for the years 2019 and 2020, with an additional liability amounting to Saudi Riyals 9.6 million. The Company had filed an appeal with General Secretariat of Zakat Committees (high committees) against such assessments, which is still under discussion.

Management is of the view that ZATCA will reconsider the above assessments and will allow for certain deductions from the zakat base, and believes that the level of the existing provision for zakat maintained by the Company is presently sufficient to cover such uncertain zakat positions.

20. Accrued and other liabilities

	Insurance operations		**Shareholders' operations**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Accrued commission	**12,902,532**	10,949,486	**-**	-
VAT payable	**5,761,875**	4,784,689	**-**	-
Accrued Najm fees	**4,510,536**	4,033,636	**-**	-
Survey fee and other charges payable	**10,037,516**	2,477,222	**-**	-
Accrued supervision fees	**2,088,797**	2,246,788	**-**	-
Accrued professional fees	**2,013,969**	835,359	**-**	-
Accrued employee benefits	**200,000**	200,000	**-**	-
Third party administrator fee payable	**381,534**	1,184	**-**	-
Directors' remuneration and meeting fee payable (Note 18)	**-**	-	**3,323,889**	4,238,611
Other	**7,134,189**	2,518,305	**21,127**	36,128
	45,030,948	28,046,669	**3,345,016**	4,274,739

20.1 Accounts payable

Such balance principally comprises processed claims due for settlement.

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Unearned reinsurance commission

	2022	2021
At January 1	**2,776,212**	3,195,070
Commission received during the year	**7,081,442**	4,209,556
Commission earned during the year	**(6,613,632)**	(4,628,414)
At December 31	**3,244,022**	2,776,212

22. Employee benefit obligations

22.1 General description of the plan

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

	2022	2021
At January 1	**9,204,102**	9,207,307
Charge during the year (Note 27)	**2,124,595**	2,025,897
Paid during the year	**(1,747,583)**	(950,419)
Remeasurement gain on obligation	**(1,549,508)**	(1,078,683)
At December 31	**8,031,606**	9,204,102

22.2 Amounts recognised in the statements of income and comprehensive income

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

	2022	2021
Current service cost	**1,860,874**	1,804,922
Interest expense	**263,721**	220,975
Total amount recognised in the statement of Income	**2,124,595**	2,025,897
Remeasurements		
Gain from change in financial assumptions	**(1,513,161)**	(531,510)
Gain from change in experience assumptions	**(265,688)**	(547,173)
Loss from change in demographic assumptions	**229,341**	-
Total amount recognised in the statement of comprehensive income	**(1,549,508)**	(1,078,683)

22.3 Key actuarial assumptions:

	December 31, 2022	December 31, 2021
Discount factor used	**5.20%**	3.10%
Average salary growth rate	**5.00%**	3.50%
Retirement age	**60 years**	60 years

(All amounts expressed in Saudi Riyals unless otherwise stated)

22 Employee benefit obligations (continued)

22.4 Sensitivity analysis for actuarial assumptions

	December 31, 2022	
	Percentage (%)	**Amount**
		Increase (decrease)
Discount rate		
Increase	**+ 1.0 %**	**(582,388)**
Decrease	**- 1.0 %**	**676,323**
Expected changes in salary		
Increase	**+ 1.0 %**	**722,932**
Decrease	**- 1.0 %**	**(632,655)**

	December 31, 2021	
	Percentage (%)	**Amount**
		Increase (decrease)
Discount rate		
Increase	+ 1.0 %	(743,708)
Decrease	- 1.0 %	870,259
Expected changes in salary		
Increase	+ 1.0 %	905,410
Decrease	- 1.0 %	(787,952)

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

22.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 8.04 years (2021: 8.5 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	5 - 10 years	Total
December 31, 2022	**1,490,345**	**710,309**	**1,314,022**	**9,199,207**	**12,713,883**
December 31, 2021	1,029,563	869,935	2,033,763	8,360,764	12,294,025

23. Share capital

The authorized, issued and paid-up share capital of the Company was Saudi Riyals 140 million at December 31, 2022 consisting of 14 million shares (December 31, 2021: Saudi Riyals 400 million consisting of 40 million shares) of Saudi Riyals 10 each. Also see Note 1.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Statutory reserve

In accordance with the By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company. Also see Note 1.

25. Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing net loss for the year by the weighted average number of outstanding shares during the year. Also see Note 1.

	For the year ended December 31,	
	2022	**2021**
Total loss for the year attributable to the shareholders	**(73,496,262)**	(74,471,147)
Weighted average number of ordinary shares for basic and diluted loss per share	**14,000,000**	14,000,000
Basic and diluted loss per share	**(5.25)**	(5.32)

26. Surplus distribution payable

	2022	**2021**
At January 1	**19,177,304**	35,219,225
Reversal of surplus distribution payable	**(691,000)**	(16,041,874)
Paid during the year	**-**	(47)
At December 31	**18,486,304**	19,177,304

As per Article 35 of SAMA surplus distribution policy, the Company has written back unclaimed surplus distribution payable amounting to Saudi Riyals 0.7 million for the year 2017 (2021: Saudi Riyals 16.0 million for the year 2016).

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. General and administrative expenses

	Insurance operations		Shareholders' operations	
	2022	**2021**	**2022**	**2021**
Employees' cost	**45,332,011**	44,272,035	**925,494**	1,013,369
Professional fees	**8,180,638**	4,577,668	**-**	-
Repairs and maintenance	**3,820,913**	3,162,915	**-**	-
Depreciation and amortization (Note 13, 14)	**3,579,331**	1,368,157	**-**	-
Employee benefit obligations (Note 22)	**2,124,595**	2,025,897	**-**	-
Bank charges	**1,985,060**	3,614,349	**-**	-
Utilities	**1,934,750**	1,296,191	**-**	-
Depreciation on right-of-use assets (Note 15)	**1,820,678**	2,312,513	**-**	-
Communication	**1,724,529**	814,306	**-**	-
Rent	**1,333,629**	728,496	**59,191**	59,191
Business travel and transport	**1,025,992**	906,778	**-**	-
Storage	**466,169**	669,446	**-**	
Stationery	**228,200**	211,728	**12,010**	11,672
Promotion and advertising	**43,372**	332,016	**2,397**	11,268
Fee and subscription	**-**	-	**427,925**	371,299
Directors' remuneration and meeting fees (Note 18)	**-**	-	**3,268,056**	3,931,111
Other	**2,093,764**	3,308,439	**489,015**	487,022
	75,693,631	69,600,934	**5,184,088**	5,884,932

28. Other underwriting expenses, net

	2022	**2021**
Supervision and inspection fees	**4,402,364**	3,394,867
Customer enquiry expenses	**4,006,733**	5,243,770
Other	**414,552**	1,875,617
	8,823,649	10,514,254

29. Fair value of financial instruments

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

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

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(All amounts expressed in Saudi Riyals unless otherwise stated)

29. Fair value of financial instruments (continued)

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - financial assets at fair value through profit or loss	**-**	**-**	**20,892,516**	**20,892,516**
Ordinary shares - available-for-sale	**28,661,938**	**-**	**2,723,080**	**31,385,018**
Total investments	**28,661,938**	**-**	**23,615,596**	**52,277,534**

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Mutual funds - financial assets at fair value through profit or loss	29,626,921	-	27,564,929	57,191,850
Ordinary shares - available-for sale	29,322,486	-	1,244,428	30,566,914
	58,949,407	-	28,809,357	87,758,764

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

The valuation of publicly traded investments classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. Fair values of private mutual funds classified in Level 3 are determined based on the investees' latest reported net assets values as at the date of statement of financial position taking into account the fair value of underlying investments by the fund. The fair value of Level 3 fixed income investments and funds are taken from the holding statements issued by the respective fund managers. Level 3 available-for-sale investment also comprises equity investment of 192,308 shares of Najm for Insurance Services (Najm) (December 31, 2021: 192,308 shares) and 80,000 shares of Saudi NextCare (December 31, 2021: 80,000 shares), respectively. During the year ended December 31, 2022, Najm has issued 497,347 bonus shares on account of increase in their share capital. As at December 31, 2022 and December 31, 2021, such investments is carried at cost as management considers that the recent available information is insufficient to determine fair value and the cost represents the best estimate of fair value in the current circumstances.

Cash and cash equivalents, premiums and insurers' balances receivable - net, reinsurers' share of outstanding claims, term deposits, statutory deposit, accrued income on statutory deposits and the financial labilities except employee benefit obligations are measured at amortized cost.

30. Risk management

Risk governance

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

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

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

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

Audit Committee and Internal Audit Department
Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures.

The internal audit department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarised below:

30.1 Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting were necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

30. Risk management (continued)

30.1 Insurance risk management (continued)

Property (covered under property and casualty)
Property insurance is designed to compensate policyholders for damage suffered to properties or for the value of property lost. Policyholders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. Significant risks underwritten by the Company under this class are physically inspected by qualified risk engineers to make sure adequate fire protection and security is in place. Also, the Company tracks for the potential of risk accumulation.

Engineering (covered under property and casualty)
The engineering business includes long tail Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Plant and Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this line of business. Significant risks underwritten by the Company under this class are physically inspected to make sure adequate fire protection, security and project management is in place. These are amply covered under the engineering proportional and non-proportional treaties.

Motor
For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident. The Company has well developed risk acceptance procedures based on critical underwriting factors such as driver's age, driving experience and nature of vehicle to control the quality of risks that it accepts. It also has risk management procedures in place to control the costs of claims.

General Accident and Workmen's Compensation (covered under property and casualty)
For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine (covered under property and casualty)
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional and non-proportional treaties.

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any claim to Saudi Riyals 60,000 (2021: Saudi Riyals 60,000) per person per year.

30. Risk management (continued)

30.1 Insurance risk management (continued)

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and motor insurance segments, which account for 89% (2021: 88%) of gross written premium.

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

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

30.2 Reinsurance risk

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

30.3 Regulatory framework risk

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

30.4 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like political violence, environmental and economical, atmospheric disturbances, natural disasters, concentration of risks, civil riots, etc. The Company manages these risks through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements.

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.4 Frequency and severity of claims (continued)

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

	2022				2021			
	Outstanding claims		Unearned premiums		Outstanding claims		Unearned premiums	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Medical	**65%**	**74%**	**47%**	**53%**	38%	65%	36%	41%
Motor	**16%**	**17%**	**39%**	**44%**	12%	19%	51%	57%
Property and casualty	**19%**	**9%**	**14%**	**3%**	50%	16%	13%	2%
	100%	**100%**	**100%**	**100%**	100%	100%	100%	100%

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.

30.5 Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the reporting date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. 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 degrees of judgment and uncertainty. Actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of IBNR at the statement of financial position date. The details of estimation of outstanding claims including IBNR are given under Notes 3 and 4 (i).

30.6 Process used to determine assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral 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. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions, unearned premium reserve and premium deficiency reserve would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of 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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.7 Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the total income of the changes in the claim liabilities, net of reinsurance, is analysed below. The sensitivity to changes in claim liabilities, net of reinsurance, is determined separately for each class of business while keeping all other assumptions constant.

Impact of 10% increase in net claims on total income for the year is as follows:

	2022	**2021**
Medical	**3,942,666**	5,071,273
Motor	**4,347,755**	3,053,441
Property and casualty	**472,880**	765,818
	8,763,301	8,890,532
Impact of change in average claim cost + 10%		
Medical	**367,538**	367,538
Motor	**1,702,894**	1,702,894
	2,070,432	2,070,432

A hypothetical 10% decrease in claim ratio, net of reinsurance, would have almost equal but opposite impact on net underwriting income. The sensitivity to changes in the most significant assumption, on claim liabilities while keeping all other assumptions constant, on the Motor and Health segments is as follows:

		Impact on claim liabilities	
	Change in current year ultimate loss ratio	**2022**	**2021**
Segment			
Medical	Increase by 5%	**(545,273)**	(1,333,666)
Medical	Decrease by 5%	**545,273**	1,333,666
Motor	Increase by 5%	**(1,378,879)**	(988,374)
Motor	Decrease by 5%	**1,378,879**	988,374

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.8 Claims development

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each 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 maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Claims development table gross of reinsurance:

Accident year Estimate of ultimate claims as at December 31, 2022:	2017 & earlier	2018	2019	2020	2021	2022	Total
At the end of accident year	1,412,013,292	232,337,186	350,335,171	101,127,236	140,094,852	411,246,845	
One year later	1,521,889,452	252,405,626	625,187,815	267,156,493	234,233,215		
Two years later	1,455,378,910	305,581,466	656,160,079	256,002,754			
Three years later	1,436,347,841	306,173,976	637,905,856				
Four years later	1,444,901,557	306,497,635					
Five years later	1,425,311,281						
Current estimate of cumulative claims	1,425,311,281	306,497,635	637,905,856	256,002,754	234,233,215	411,246,845	3,271,197,586
Cumulative payments to date	(1,424,988,976)	(305,621,837)	(642,261,119)	(249,264,946)	(191,325,564)	(299,832,360)	(3,113,294,802)
Liability recognized in statement of financial position	322,305	875,798	(4,355,263)	6,737,808	42,907,651	111,414,485	157,902,784
Salvage and subrogation	(302,869)	(372,005)	(451,959)	(1,417,934)	(12,567,885)	(39,924,114)	(55,036,766)
Additional premium reserve	-	-	-	-	-	25,972,063	25,972,063
Other technical reserves	22,166	44,924	115,065	838,945	819,135	2,450,659	4,290,894
Outstanding claims and reserves	41,602	548,717	(4,692,157)	6,158,819	31,158,901	99,913,093	133,128,975

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.8 Claims development (continued)

Claims development table gross of reinsurance: (continued)

Accident year **Estimate of ultimate claims as at December 31, 2021:**	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	1,275,948,968	136,064,324	232,337,186	352,226,122	173,430,160	187,875,204	
One year later	1,356,202,684	165,686,767	252,405,626	634,009,364	290,185,073		
Two years later	1,309,139,554	146,239,356	307,911,604	664,640,873			
Three years later	1,288,824,618	148,219,952	307,733,097				
Four years later	1,296,645,784	149,217,519					
Five years later	1,279,990,311						
Current estimate of cumulative claims	1,279,990,311	149,217,519	307,733,097	664,640,873	290,185,073	187,875,204	2,879,642,077
Cumulative payments to date	(1,276,724,191)	(147,490,125)	(305,533,032)	(640,953,284)	(243,651,264)	(111,008,557)	(2,725,360,453)
Liability recognized in statement of financial position	3,266,120	1,727,394	2,200,065	23,687,589	46,533,809	76,866,647	154,281,624
Salvage and subrogation	(1,125,231)	(420,397)	(1,266,340)	(3,411,665)	(5,670,927)	(10,793,341)	(22,687,901)
Additional premium reserve	-	-	-	-	-	16,210,289	16,210,289
Other technical reserves	52,037	28,133	43,202	427,141	1,597,963	2,985,521	5,133,997
Outstanding claims and reserves	2,192,926	1,335,130	976,927	20,703,065	42,460,845	85,269,116	152,938,009

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.8 Claims development (continued)

Claims development table net of reinsurance:

Accident year Estimate of ultimate claims as at December 31, 2022:	2017 & earlier	2018	2019	2020	2021	2022	Total
At the end of accident year	1,198,578,214	187,150,844	291,332,691	64,099,826	129,249,563	358,230,800	
One year later	1,281,715,154	203,796,184	561,300,201	213,727,890	197,670,236		
Two years later	1,227,095,702	256,737,977	594,209,262	211,030,405			
Three years later	1,210,566,793	257,233,334	588,279,690				
Four years later	1,217,161,134	257,181,266					
Five years later	1,202,458,438						
Current estimate of cumulative claims	1,202,458,438	257,181,266	588,279,690	211,030,405	197,670,236	358,230,800	2,814,850,835
Cumulative payments to date	(1,202,438,874)	(256,647,067)	(592,698,649)	(207,186,100)	(172,758,336)	(295,488,802)	(2,727,217,828)
Liability recognized in statement of financial position	19,564	534,199	(4,418,959)	3,844,305	24,911,900	62,741,998	87,633,007
Salvage and subrogation	-	-	-	-	-	-	-
Premium deficiency reserve	-	-	-	-	-	25,972,063	25,972,063
Other technical reserves	22,166	44,924	115,065	838,945	819,135	2,450,659	4,290,894
Outstanding claims and reserves	41,730	579,123	(4,303,894)	4,683,250	25,731,035	91,164,720	117,895,964

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.8 Claims development (continued)

Claims development table net of reinsurance: (continued)

Accident year							
Estimate of ultimate claims as at December 31, 2021:	**2016 & earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of accident year	1,072,904,995	125,673,219	187,150,844	293,223,642	122,605,672	160,133,031	
One year later	1,135,984,184	145,730,969	203,796,184	565,944,717	228,821,979		
Two years later	1,100,180,738	126,914,963	258,083,388	599,871,926			
Three years later	1,081,566,714	129,476,051	257,583,367				
Four years later	1,087,209,914	130,273,638					
Five years later	1,074,577,209						
Current estimate of cumulative claims	1,074,577,209	130,273,638	257,583,367	599,871,926	228,821,979	160,133,031	2,451,261,150
Cumulative payments to date	(1,072,742,694)	(128,966,982)	(256,558,263)	(593,289,767)	(205,051,445)	(105,746,680)	(2,362,355,831)
Liability recognized in statement of financial position	1,834,515	1,306,656	1,025,104	6,582,159	23,770,534	54,386,351	88,905,319
Salvage and subrogation	-	-	-	-	-	-	-
Premium deficiency reserve	-	-	-	-	-	16,210,289	16,210,289
Other technical reserves	52,037	28,133	43,202	427,141	1,597,963	2,985,521	5,133,997
Outstanding claims and reserves	1,886,552	1,334,789	1,068,306	7,009,300	25,368,497	73,582,161	110,249,605

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk

The Company's principal financial assets and liabilities are cash and cash equivalents, term deposits, premiums and insurance balances receivable - net, investments, accrued income on statutory deposit, reinsurer's share of outstanding claims, reinsurers' share of claims incurred but not reported and other assets (included in prepaid expenses and other assets). The Company's principal financial liabilities are reinsurance balances payable, outstanding claims, claims incurred but not reported, accrued and other liabilities, accounts payable, dividend payable, surplus distribution payable and amounts due to a related party.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risks (including commission rate risk, price risk and currency risk), which are summarized below:

i) 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 assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

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

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

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Company's investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee, which is approved by the Board of Directors.

The Company's other financial assets are held with commercial banks and financial institutions with strong financial positions and credit ratings. The Company maintains its bank balances, short-term, long term and statutory deposits with banks which have investment grade credit ratings. Investments are made in instruments with either investment grade or satisfactory non-investment grade credit rating.

The table below classifies financial assets between those relating to insurance operations and shareholders' assets, and these are further disaggregated based on the credit rating of counterparties:

	2022	**2021**
Insurance operations' assets		
Cash and cash equivalents	**106,739,867**	144,109,927
Term deposits	**73,000,000**	11,250,000
Premiums and insurers' balances receivable	**143,666,138**	134,110,493
Reinsurers' share of outstanding claims	**13,520,235**	35,352,972
Reinsurers' share of claims incurred but not reported	**1,712,776**	7,335,432
Investments	**24,129,285**	21,269,580
Other assets (included in prepaid expenses and other assets)	**21,292,512**	7,355,383
	384,060,813	360,783,787

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

i) Credit risk (continued)

Shareholders' assets	**2022**	**2021**
Cash and cash equivalents	**116,177,364**	144,070,069
Term deposits	**54,000,000**	75,000,000
Other assets (included in prepaid expenses and other assets)	**515,481**	1,504,068
Investments	**28,148,249**	66,489,184
Statutory deposit	**21,000,000**	40,000,000
Accrued commission on statutory deposit	**6,025,857**	5,840,536
	225,866,951	332,903,857
Total	**610,157,289**	693,687,644

Concentration of credit risk

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

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

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Based on such credit ratings, investment grade is considered the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due and impaired.

Insurance operations' financial assets as at December 31, 2022:

		Non-investment grade		
	Investment grade	**Satisfactory**	**Past due and subject to impairment**	**Total**
Cash and cash equivalents	**106,739,867**	**-**	**-**	**106,739,867**
Term deposits	**73,000,000**	**-**	**-**	**73,000,000**
Premiums and insurers' balances receivable	**-**	**81,423,548**	**62,242,590**	**143,666,138**
Reinsurers' share of outstanding claims	**13,520,235**	**-**	**-**	**13,520,235**
Reinsurers' share of claims incurred but not reported	**1,712,776**	**-**	**-**	**1,712,776**
Other assets (included in prepaid expenses and other assets)	**-**	**21,292,512**	**-**	**21,292,512**
Investments	**11,978,237**	**12,151,048**	**-**	**24,129,285**
Total	**206,951,115**	**114,867,108**	**62,242,590**	**384,060,813**

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

i) Credit risk (continued)

Shareholders' operations' financial assets as at December 31, 2022:

		Non-investment grade		
	Investment grade	**Satisfactory**	**Past due and subject to impairment**	**Total**
Cash and cash equivalents	**116,177,364**	**-**	**-**	**116,177,364**
Term deposits	**54,000,000**	**-**	**-**	**54,000,000**
Other assets (included in prepaid expenses and other assets)	**-**	**515,481**	**-**	**515,481**
Investments	**8,914,279**	**19,233,970**	**-**	**28,148,249**
Statutory deposit	**21,000,000**	**-**	**-**	**21,000,000**
Accrued commission on statutory deposit	**6,025,857**	**-**	**-**	**6,025,857**
Total	**206,117,500**	**19,749,451**	**-**	**225,866,951**

Insurance operations financial assets as at December 31, 2021:

		Non-investment grade		
	Investment grade	**Satisfactory**	**Past due and subject to impairment**	**Total**
Cash and cash equivalents	144,109,927	-	-	144,109,927
Term deposits	11,250,000	-	-	11,250,000
Premiums and insurers' balances receivable	-	65,501,994	68,608,499	134,110,493
Reinsurers' share of outstanding claims	35,352,972	-	-	35,352,972
Reinsurers' share of claims incurred but not reported	7,335,432	-	-	7,335,432
Other assets (included in prepaid expenses and other assets)	-	7,355,383	-	7,355,383
Investments	10,861,302	10,408,278	-	21,269,580
Total	208,909,633	83,265,655	68,608,499	360,783,787

Shareholders' operations financial assets as at December 31, 2021:

		Non-investment grade		
	Investment grade	**Satisfactory**	**Past due and subject to impairment**	**Total**
Cash and cash equivalents	144,070,069	-	-	144,070,069
Term deposits	75,000,000	-	-	75,000,000
Other assets (included in prepaid expenses and other assets)	-	1,504,068	-	1,504,068
Investments	46,330,548	20,158,636	-	66,489,184
Statutory deposit	40,000,000	-	-	40,000,000
Accrued commission on statutory deposit	5,840,536	-	-	5,840,536
	311,241,153	21,662,704	-	332,903,857

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in term deposits and investments.

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

	December 31, 2022			
	Up to one year	**One to five years**	**Later than five years**	**Total**
INSURANCE OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	**106,789,301**	**-**	**-**	**106,789,301**
Term deposits	**73,000,000**	**-**	**-**	**73,000,000**
Available-for-sale investments	**12,151,048**	**-**	**-**	**12,151,048**
Financial assets at fair value through profit or loss	**11,978,237**	**-**	**-**	**11,978,237**
Premiums and insurers' balances receivable	**104,023,469**	**39,642,669**	**-**	**143,666,138**
Reinsurers' share of outstanding claims	**13,520,235**	**-**	**-**	**13,520,235**
Reinsurers' share of claims incurred but not reported	**1,712,776**	**-**	**-**	**1,712,776**
Other assets (included in prepaid expenses and other assets)	**21,292,512**	**-**	**-**	**21,292,512**
Total insurance operations financial assets	**344,467,578**	**39,642,669**	**-**	**384,110,247**

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2022			
	Up to one year	One to five years	Later than five years	Total
INSURANCE OPERATIONS FINANCIAL LIABILITIES				
Outstanding claims	**53,991,713**	**-**	**-**	**53,991,713**
Claims incurred but not reported	**48,874,305**	**-**	**-**	**48,874,305**
Reinsurers' balances payable	**20,238,618**	**-**	**-**	**20,238,618**
Accounts payable	**4,101,141**	**-**	**-**	**4,101,141**
Accrued and other liabilities	**37,180,276**	**-**	**-**	**37,180,276**
Surplus distribution payable	**18,486,304**	**-**	**-**	**18,486,304**
Total insurance operations financial liabilities	**182,872,357**	**-**	**-**	**182,872,357**
Total liquidity gap	**161,595,221**	**39,642,669**	**-**	**201,237,890**

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2022			
	Up to one year	**One to five years**	**Later than five years**	**Total**
SHAREHOLDERS' OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	116,177,364	-	-	116,177,364
Term deposits	54,000,000	-	-	54,000,000
Available-for-sale investments	19,233,970	-	-	19,233,970
Financial assets at fair value through profit or loss	8,914,279	-	-	8,914,279
Other assets (included in prepaid expenses and other assets)	515,481	-	-	515,481
Statutory deposit	-	-	21,000,000	21,000,000
Accrued income on statutory deposit	6,025,857	-	-	6,025,857
Total shareholders' operations financial assets	**204,866,951**	**-**	**21,000,000**	**225,866,951**
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES				
Dividend payable	370,349	-	-	370,349
Due to a related party	1,123,750	-	-	1,123,750
Accrued and other liabilities	3,345,016	-	-	3,345,016
Lease liabilities	1,732,498	935,000	-	2,667,498
Accrued commission income payable to SAMA	6,025,857	-	-	6,025,857
Total shareholders' operations financial liabilities	**12,597,470**	**935,000**	**-**	**13,532,470**
Total liquidity gap	**192,269,481**	**(935,000)**	**21,000,000**	**212,334,481**

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2021			
	Up to one year	**One to five years**	**Later than five years**	**Total**
INSURANCE OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	144,148,184	-	-	144,148,184
Term deposits	-	11,250,000	-	11,250,000
Available-for-sale investments	10,408,278	-	-	10,408,278
Financial assets at fair value through profit or loss	10,861,302	-	-	10,861,302
Premiums and insurers' balances receivable	92,125,548	41,984,945	-	134,110,493
Reinsurers' share of outstanding claims	35,352,972	-	-	35,352,972
Reinsurers' share of claims incurred but not reported	7,335,432	-	-	7,335,432
Other assets (included in prepaid expenses and other assets)	7,355,383	-	-	7,355,383
Total insurance operations financial assets	307,587,099	53,234,945	-	360,822,044
INSURANCE OPERATIONS FINANCIAL LIABILITIES				
Outstanding claims	73,835,656	-	-	73,835,656
Claims incurred but not reported	57,758,067	-	-	57,758,067
Reinsurers' balances payable	17,934,876	-	-	17,934,876
Accounts payable	5,855,407	-	-	5,855,407
Accrued and other liabilities	25,799,881	-	-	25,799,881
Surplus distribution payable	19,177,304	-	-	19,177,304
Total insurance operations financial liabilities	200,361,191	-	-	200,361,191
Total liquidity gap	107,225,908	53,234,945	-	160,460,853

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk (continued)

	December 31, 2021			
	Up to one year	**One to five years**	**Later than five years**	**Total**
SHAREHOLDERS' OPERATIONS FINANCIAL ASSETS				
Cash and cash equivalents	144,070,069	-	-	144,070,069
Term deposits	-	75,000,000	-	75,000,000
Available-for-sale investment	20,158,636	-	-	20,158,636
Financial assets at fair value through profit or loss	46,330,548	-	-	46,330,548
Other assets (included in prepaid expenses and other assets)	1,504,068	-	-	1,504,068
Statutory deposit	-	-	40,000,000	40,000,000
Accrued income on statutory deposit	5,840,536	-	-	5,840,536
Total shareholders' operations financial assets	217,903,857	75,000,000	40,000,000	332,903,857
SHAREHOLDERS' OPERATIONS FINANCIAL LIABILITIES				
Dividend payable	370,349	-	-	370,349
Amount due to a related party	1,123,750	-	-	1,123,750
Accrued and other liabilities	4,274,739	-	-	4,274,739
Accrued income payable to SAMA	1,832,496	2,090,246	-	3,922,742
	5,840,536	-	-	5,840,536
Total shareholders' operations financial liabilities	13,441,870	2,090,246	-	15,532,116
Total liquidity gap	204,461,987	72,909,754	40,000,000	317,371,741

30. Risk management (continued)

30.9 Financial risk (continued)

ii) Liquidity risk (continued)

For the purpose of the financial assets and liabilities, non-financial assets and non-financial liabilities amounting to Saudi Riyals 11.7 million and Saudi Riyals 7.9 million, respectively (2021: Saudi Riyals 18.7 million and Saudi Riyals 2.2 million, respectively) have been excluded from prepaid expenses and other assets and accrued and other liabilities, respectively.

iii) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed rate instruments expose the Company to fair value commission rate risk.

The Company is exposed to commission rate risk on certain of its term deposits and investments. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

An increase or decrease of 10% in interest yields would result in a change in the income for the year of Saudi Riyals 2.1 (2021: income of Saudi Riyals 2.0 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

iii) Commission rate risk (continued)

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

	Commission bearing				
2022	**Less than 1 year**	**Above 1 year**	**Effective rate (%)**	**Non-commission bearing**	**Total**
Insurance operations					
Loans and receivables					
Cash and cash equivalents	**20,000,000**	**-**	**3.85%**	**86,739,867**	**106,739,867**
Term deposits	**73,000,000**	**-**	**3.45%**	**-**	**73,000,000**
	93,000,000	**-**	**-**	**86,739,867**	**179,739,867**
Available-for-sale investments	**-**	**-**	**-**	**12,151,048**	**12,151,048**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**11,978,237**	**11,978,237**
December 31, 2022	**93,000,000**	**-**	**-**	**110,869,152**	**203,869,152**

	Commission bearing				
	Less than 1 year	**Above 1 year**	**Effective rate (%)**	**Non-commission bearing**	**Total**
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	**64,794,233**	**-**	**3.47%**	**51,383,131**	**116,177,364**
Statutory deposit	**-**	**21,000,000**	**4.35%**	**-**	**21,000,000**
Term deposits	**54,000,000**	**-**	**3.63%**	**-**	**54,000,000**
	118,794,233	**21,000,000**	**-**	**51,383,131**	**191,177,364**
Available-for-sale investments	**-**	**-**	**-**	**19,233,970**	**19,233,970**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**8,914,279**	**8,914,279**
December 31, 2022	**118,794,233**	**21,000,000**	**-**	**79,531,380**	**219,325,613**

(All amounts expressed in Saudi Riyals unless otherwise stated)

30. Risk management (continued)

30.9 Financial risk (continued)

iii) Commission rate risk (continued)

2021	Commission bearing: Less than 1 year	Commission bearing: Above 1 year	Commission bearing: Effective rate (%)	Non-commission bearing	Total
Insurance operations					
Loans and receivables					
Cash and cash equivalents	92,506,592	-	2.10%	51,603,335	144,109,927
Term deposits	-	11,250,000	2.89%	-	11,250,000
	92,506,592	11,250,000		51,603,335	155,359,927
Available-for-sale investments	-	-	-	10,408,278	10,408,278
Financial assets at fair value through profit or loss	-	-	-	10,861,302	10,861,302
December 31, 2021	92,506,592	11,250,000	-	72,872,915	176,629,507

	Commission bearing: Less than 1 year	Commission bearing: Above 1 year	Commission bearing: Effective rate (%)	Non-commission bearing	Total
Shareholders' operations					
Loans and receivables					
Cash and cash equivalents	102,057,096	-	1.96%	42,012,973	144,070,069
Term deposits	-	75,000,000	2.88%	-	75,000,000
Statutory deposit	-	40,000,000	0.89%	-	40,000,000
	102,057,096	115,000,000		42,012,973	259,070,069
Available-for-sale investments	-	-	-	20,158,636	20,158,636
Financial assets at fair value through profit or loss	-	-	-	46,330,548	46,330,548
December 31, 2021	102,057,096	115,000,000	-	108,502,157	325,559,253

iv) Price risk

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

30. Risk management (continued)

30.9 Financial risk (continued)

iv) Price risk (continued)

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

The Company's financial assets at fair value through profit or loss and available-for-sale investments are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

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

% Change in equity price	2022	2021
+5	**2,477,723**	4,325,717
-5	**(2,477,723)**	(4,325,717)

v) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and United States Dollars, during the year. As the Saudi Riyal is pegged to the United States Dollar, balances in United States Dollars are not considered to represent significant currency risk.

30.10 Capital management risk

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

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

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.

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

- Minimum capital requirement of Saudi Riyals 100 million;
- Premium solvency margin; or
- Claims solvency margin.

30. Risk management (continued)

30.10 Capital management risk (continued)

As at December 31, 2022, the Company's solvency margin has reduced to 72.6%, which is less than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law.

As per Article 68 of the SAMA Implementing Regulations, the company shall maintain a solvency margin according to the standards specified, and implement the following measures when its solvency margin falls below the required margin(s):

a. The company shall restore, in a period not exceeding the next financial quarter, its solvency margin when it falls between the range of 75% to 100% of the required solvency margin.

b. The company shall restore its solvency margin when it falls between 50% and 75% of the required margin. The company shall apply measures stated in paragraph (a) of this Article. If the required solvency margin is not restored to its appropriate level for two consecutive financial quarters, the company shall formulate and provide SAMA with a corrective action plan to be taken and the period necessary to restore its solvency.

The Company is taking measures to rectify the deficiency and the measures considered by the management include certain operational improvement measures, such as improved recoverability of premium receivable balances, implementation of better investment strategies, improvement in underwriting policies and processes, reduction in general and administrative expenses and improvement in claims management processes. Also see Note 1.

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. Supplementary information

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

STATEMENT OF FINANCIAL POSITION

	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	**106,789,301**	**116,177,364**	**222,966,665**	144,148,184	144,070,069	288,218,253
Term deposits	**73,000,000**	**54,000,000**	**127,000,000**	11,250,000	75,000,000	86,250,000
Premiums and insurers' balances receivable - net	**105,209,368**	**-**	**105,209,368**	94,625,682	-	94,625,682
Reinsurers' share of unearned premiums	**28,071,219**	**-**	**28,071,219**	27,491,662	-	27,491,662
Reinsurers' share of outstanding claims	**13,520,235**	**-**	**13,520,235**	35,352,972	-	35,352,972
Reinsurers' share of claims incurred but not reported	**1,712,776**	**-**	**1,712,776**	7,335,432	-	7,335,432
Deferred policy acquisition costs	**15,303,955**	**-**	**15,303,955**	12,522,056	-	12,522,056
Available-for-sale investments	**12,151,048**	**19,233,970**	**31,385,018**	10,408,278	20,158,636	30,566,914
Financial assets at fair value through profit or loss	**11,978,237**	**8,914,279**	**20,892,516**	10,861,302	46,330,548	57,191,850
Prepaid expenses and other assets	**32,970,091**	**581,178**	**33,551,269**	25,840,738	1,695,925	27,536,663
Property and equipment	**5,248,300**	**-**	**5,248,300**	5,210,239	-	5,210,239
Right-of-use assets	**2,687,320**	**-**	**2,687,320**	4,405,468	-	4,405,468
Intangible assets	**6,053,180**	**-**	**6,053,180**	5,720,623	-	5,720,623
Goodwill	**-**	**25,513,750**	**25,513,750**	-	25,513,750	25,513,750
Statutory deposit	**-**	**21,000,000**	**21,000,000**	-	40,000,000	40,000,000
Accrued income on statutory deposit	**-**	**6,025,857**	**6,025,857**	-	5,840,536	5,840,536
Amounts due from shareholders' operations	**71,678,378**	**-**	**71,678,378**	95,156,855	-	95,156,855
TOTAL ASSETS	**486,373,408**	**251,446,398**	**737,819,806**	490,329,491	358,609,464	848,938,955
Less: inter-operations elimination	**(71,678,378)**	**-**	**(71,678,378)**	(95,156,855)	-	(95,156,855)
TOTAL ASSETS	**414,695,030**	**251,446,398**	**666,141,428**	395,172,636	358,609,464	753,782,100

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31 Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Accounts payable	**4,101,141**	**-**	**4,101,141**	5,855,407	-	5,855,407
Accrued and other liabilities	**45,030,948**	**3,345,016**	**48,375,964**	28,046,669	4,274,739	32,321,408
Reinsurers' balances payable	**20,238,618**	**-**	**20,238,618**	17,934,876	-	17,934,876
Unearned premiums	**247,419,269**	**-**	**247,419,269**	246,505,182	-	246,505,182
Unearned reinsurance commission	**3,244,022**	**-**	**3,244,022**	2,776,212	-	2,776,212
Outstanding claims	**53,991,713**	**-**	**53,991,713**	73,835,656	-	73,835,656
Claims incurred but not reported	**48,874,305**	**-**	**48,874,305**	57,758,067	-	57,758,067
Additional premium reserves	**25,972,063**	**-**	**25,972,063**	16,210,289	-	16,210,289
Other technical reserves	**4,290,894**	**-**	**4,290,894**	5,133,997	-	5,133,997
Lease liabilities	**2,616,991**	**-**	**2,616,991**	3,805,657		3,805,657
Due to a related party	**-**	**1,123,750**	**1,123,750**	-	1,123,750	1,123,750
Employee benefit obligations	**8,031,606**	**-**	**8,031,606**	9,204,102	-	9,204,102
Zakat payable	**-**	**42,653,769**	**42,653,769**	-	42,652,370	42,652,370
Accrued commission income payable to SAMA	**-**	**6,025,857**	**6,025,857**	-	5,840,536	5,840,536
Dividend payable	**-**	**370,349**	**370,349**	-	370,349	370,349
Amounts due to insurance operations	**-**	**71,678,378**	**71,678,378**	-	95,156,855	95,156,855
Surplus distribution payable	**18,486,304**	**-**	**18,486,304**	19,177,304	-	19,177,304
TOTAL LIABILITIES	**482,297,874**	**125,197,119**	**607,494,993**	486,243,418	149,418,599	635,662,017
Less: inter-operations elimination	**-**	**(71,678,378)**	**(71,678,378)**	-	(95,156,855)	(95,156,855)
TOTAL LIABILITIES	**482,297,874**	**53,518,741**	**535,816,615**	486,243,418	54,261,744	540,505,162

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. Supplementary information (continued)

STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
EQUITY						
Share capital	**-**	**140,000,000**	**140,000,000**	-	400,000,000	400,000,000
Statutory reserve	**-**	**-**	**-**	-	-	-
Accumulated losses	**-**	**(10,539,284)**	**(10,539,284)**	-	(197,043,022)	(197,043,022)
Remeasurement reserve of employee benefit obligations	**4,924,738**	**-**	**4,924,738**	3,375,230	-	3,375,230
Fair value reserve on investments	**(849,204)**	**(3,211,437)**	**(4,060,641)**	710,843	6,233,887	6,944,730
NET EQUITY	**4,075,534**	**126,249,279**	**130,324,813**	4,086,073	209,190,865	213,276,938
TOTAL LIABILITIES AND EQUITY	**486,373,408**	**179,768,020**	**666,141,428**	490,329,491	263,452,609	753,782,100

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. Supplementary information (continued)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31,

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
REVENUES						
Gross premiums written	**475,264,474**	**-**	**475,264,474**	438,300,420	-	438,300,420
Reinsurance premiums ceded:						
- Foreign	**(40,311,817)**	**-**	**(40,311,817)**	(44,856,296)	-	(44,856,296)
- Local	**(1,894,624)**	**-**	**(1,894,624)**	(896,176)	-	(896,176)
Excess of loss premiums						
- Foreign	**(19,605,277)**	**-**	**(19,605,277)**	(15,091,429)	-	(15,091,429)
- Local	**(3,691,477)**	**-**	**(3,691,477)**	(4,473,168)	-	(4,473,168)
Net premiums written	**409,761,279**	**-**	**409,761,279**	372,983,351	-	372,983,351
Changes in unearned premiums	**(914,087)**	**-**	**(914,087)**	(75,076,369)	-	(75,076,369)
Changes in reinsurers' share of unearned premiums	**579,557**	**-**	**579,557**	8,542,618	-	8,542,618
Net premiums earned	**409,426,749**	**-**	**409,426,749**	306,449,600	-	306,449,600
Reinsurance commissions	**6,613,632**	**-**	**6,613,632**	4,628,414	-	4,628,414
Total revenues	**416,040,381**	**-**	**416,040,381**	311,078,014	-	311,078,014
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(389,825,301)**	**-**	**(389,825,301)**	(373,257,696)	-	(373,257,696)
Reinsurers' share of claims paid	**23,072,352**	**-**	**23,072,352**	16,772,451	-	16,772,451
Claims handling expenses	**(26,435,966)**	**-**	**(26,435,966)**	(20,704,322)	-	(20,704,322)
Net claims and other benefits paid	**(393,188,915)**	**-**	**(393,188,915)**	(377,189,567)	-	(377,189,567)
Changes in outstanding claims	**19,843,943**	**-**	**19,843,943**	32,717,542	-	32,717,542
Changes in reinsurers' share of outstanding claims	**(21,832,737)**	**-**	**(21,832,737)**	8,451,217	-	8,451,217
Changes in claims incurred but not reported	**8,883,762**	**-**	**8,883,762**	18,362,989	-	18,362,989
Changes in reinsurers' share of claims incurred but not reported	**(5,622,656)**	**-**	**(5,622,656)**	(4,666,941)	-	(4,666,941)
Net claims and other benefits incurred	**(391,916,603)**	**-**	**(391,916,603)**	(322,324,760)	-	(322,324,760)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. Supplementary information (continued)

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

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Policy acquisition costs	**(28,071,527)**	**-**	**(28,071,527)**	(19,685,854)	-	(19,685,854)
Changes in additional premium reserves	**(9,761,774)**	**-**	**(9,761,774)**	(2,185,123)	-	(2,185,123)
Changes in other technical reserves	**843,103**	**-**	**843,103**	994,678	-	994,678
Other underwriting expenses, net	**(8,823,649)**	**-**	**(8,823,649)**	(10,514,254)	-	(10,514,254)
Total underwriting costs and expenses, net	**(437,730,450)**	**-**	**437,730,450)**	(353,715,313)	-	(353,715,313)
NET UNDERWRITING LOSS	**(21,690,069)**	**-**	**(21,690,069)**	(42,637,299)	-	(42,637,299)
OTHER OPERATING (EXPENSES) INCOME						
(Reversal of allowance for) allowance for doubtful debts	**1,028,041**	**-**	**1,028,041**	(3,209,443)	-	(3,209,443)
General and administrative expenses	**(75,693,631)**	**(5,184,088)**	**(80,877,719)**	(69,600,934)	(5,884,932)	(75,485,866)
Investment and commission income	**(608,137)**	**3,876,514**	**3,268,377**	1,421,744	4,659,114	6,080,858
Changes in fair value of financial assets at fair value through profit or loss - net	**184,735**	**(1,766,802)**	**(1,582,067)**	(4,719,777)	14,329,397	9,609,620
Reversal of surplus distribution payable	**691,000**	**-**	**691,000**	16,041,874	-	16,041,874
Realized gain on available-for-sale investments	**2,921,717**	**8,658,945**	**11,580,662**	5,214,381	9,352,191	14,566,572
Finance costs on lease liabilities	**(62,283)**	**-**	**(62,283)**	(129,341)	-	(129,341)
Other income	**18,747,796**	**-**	**18,747,796**	2,461,940	-	2,461,940
Total other operating (expenses) income, net	**(52,790,762)**	**5,584,569**	**(47,206,193)**	(52,519,556)	22,455,770	(30,063,786)
Total (loss) income for the year before surplus attribution and zakat	**(74,480,831)**	**5,584,569**	**(68,896,262)**	(95,156,855)	22,455,770	(72,701,085)
Zakat expense	**-**	**(4,600,000)**	**(4,600,000)**	-	(1,770,062)	(1,770,062)
Total (loss) income for the year	**(74,480,831)**	**984,569**	**(73,496,262)**	(95,156,855)	20,685,708	(74,471,147)
Deficit transferred to the shareholders' operations	**74,480,831**	**(73,496,262)**	**-**	95,156,855	(95,156,855)	-
Total loss for the year after transfer of deficit	**-**	**(73,496,262)**	**(73,496,262)**	-	(74,471,147)	(74,471,147)

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31 Supplementary information (continued)

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

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Weighted average number of outstanding shares	**-**	**14,000,000**	**14,000,000**	-	14,000,000	14,000,000
Loss per share (expressed in Saudi Riyals per share)						
Basic loss per share	**-**	**(5.15)**	**(5.15)**	-	(5.32)	(5.32)
Diluted loss per share	**-**	**(5.15)**	**(5.15)**	-	(5.32)	(5.32)

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. Supplementary information (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31,

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Total loss for the year attributable to the shareholders	**-**	**(73,496,262)**	**(73,496,262)**	-	(74,471,147)	(74,471,147)
Other comprehensive income (loss):						
Items that will not be reclassified to the statement of income in subsequent years						
Remeasurement gain on employee benefit obligations	**1,549,508**	**-**	**1,549,508**	1,078,683	-	1,078,683
Items that will be reclassified to the statement of income in subsequent years						
Net change in fair value of available-for-sale investments	**(1,560,047)**	**(9,445,324)**	**(11,005,371)**	(772,355)	(340,500)	(1,112,855)
Total comprehensive (loss) income for the year	**(10,539)**	**(82,941,586)**	**(82,952,125)**	306,328	(74,811,647)	(74,505,319)

(All amounts expressed in Saudi Riyals unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Total loss for the year before surplus attribution and zakat	**-**	**(68,896,262)**	**(68,896,262)**	-	(72,701,085)	(72,701,085)
Adjustments for non-cash items:						
Depreciation of property and equipment	**1,744,795**	**-**	**1,744,795**	764,986	-	764,986
Depreciation of right-of-use assets	**1,820,678**	**-**	**1,820,678**	2,312,513	-	2,312,513
Amortization of intangible assets	**1,834,536**	**-**	**1,834,536**	603,171	-	603,171
Provision for employee benefit obligations	**2,124,595**	**-**	**2,124,595**	2,025,897	-	2,025,897
Changes in fair value of financial assets at fair value through profit or loss	**(184,735)**	**1,766,802**	**1,582,067**	4,719,777	(14,329,397)	(9,609,620)
Realized gain on available-for-sale investments	**(2,921,717)**	**(8,658,945)**	**(11,580,662)**	(5,214,381)	(9,352,191)	(14,566,572)
Realized gain on financial assets at fair value through profit or loss	**414,794**	**-**	**414,794**	1,042,774	-	1,042,774
(Reversal of allowance for) allowance for doubtful debts	**(1,028,041)**	**-**	**(1,028,041)**	3,209,443	-	3,209,443
Finance costs on lease liabilities	**62,283**	**-**	**62,283**	129,341	-	129,341
Reversal of surplus distribution payable	**(691,000)**	**-**	**(691,000)**	(16,041,874)	-	(16,041,874)
Loss on disposal of property and equipment	**3,170**	**-**	**3,170**	-	-	-

(Continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

31 Supplementary information (continued)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,

	2022			2021		
	Insurance operations	**Shareholders' operations**	**Total**	**Insurance operations**	**Shareholders' operations**	**Total**
Changes in operating assets and liabilities:						
Unearned premiums	**914,087**	**-**	**914,087**	75,076,369	-	75,076,369
Premiums and insurers' balances receivable – net	**(9,555,645)**	**-**	**(9,555,645)**	(33,996,614)	-	(33,996,614)
Reinsurers' share of unearned premiums	**(579,557)**	**-**	**(579,557)**	(8,542,618)	-	(8,542,618)
Reinsurers' share of outstanding claims	**21,832,737**	**-**	**21,832,737**	(8,451,217)	-	(8,451,217)
Reinsurers' share of claims incurred but not reported	**5,622,656**	**-**	**5,622,656**	4,666,941	-	4,666,941
Amounts due (to) from insurance operations	**(74,480,831)**	**74,480,831**	**-**	(95,156,855)	95,156,855	-
Amounts due to (from)shareholders' operations	**97,959,308**	**(97,959,308)**	**-**	103,499,493	(103,499,493)	-
Deferred policy acquisition costs	**(2,781,899)**	**-**	**(2,781,899)**	(3,496,594)	-	(3,496,594)
Prepaid expenses and other assets	**(7,129,353)**	**1,114,747**	**(6,014,606)**	(4,471,436)	(852,035)	(5,323,471)
Accrued commission income on statutory deposit	**-**	**(185,321)**	**(185,321)**	-	(267,033)	(267,033)
Accrued and other liabilities	**16,984,279**	**(929,723)**	**16,054,556**	1,983,381	416,944	2,400,325
Reinsurers' balances payable	**2,303,742**	**-**	**2,303,742**	15,232,782	-	15,232,782
Unearned reinsurance commission	**467,810**	**-**	**467,810**	(418,858)	-	(418,858)
Outstanding claims	**(19,843,943)**	**-**	**(19,843,943)**	(32,717,542)	-	(32,717,542)
Claims incurred but not reported	**(8,883,762)**	**-**	**(8,883,762)**	(18,362,989)	-	(18,362,989)
Accrued commission income payable to SAMA	**-**	**185,321**	**185,321**	-	267,033	267,033
Accounts payable	**(1,754,266)**	**-**	**(1,754,266)**	(1,936,256)	-	(1,936,256)

(continued)

(All amounts expressed in Saudi Riyals unless otherwise stated)

31 Supplementary information (continued)

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

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Additional premium reserves	**9,761,774**	**-**	**9,761,774**	2,185,123	-	2,185,123
Other technical reserves	**(843,103)**	**-**	**(843,103)**	(994,678)	-	(994,678)
Employee benefit obligations paid	**(1,747,583)**	**-**	**(1,747,583)**	(950,419)	-	(950,419)
Zakat paid	**-**	**(4,598,601)**	**(4,598,601)**	-	(5,975,210)	(5,975,210)
Finance costs paid on lease liabilities	**(62,283)**	**-**	**(62,283)**	(129,341)	-	(129,341)
Surplus paid to policy holders	**-**	**-**	**-**	(47)	-	(47)
Net cash generated from (utilized in) operating activities	**31,363,526**	**(103,680,459)**	**(72,316,933)**	(13,429,728)	(111,135,612)	(124,565,340)
CASH FLOWS FROM INVESTING ACTIVITIES						
Liquidation of term deposits	**41,250,000**	**75,000,000**	**116,250,000**	-	-	-
Additions in term deposits	**(103,000,000)**	**(54,000,000)**	**(157,000,000)**	-	-	-
Purchases of financial assets at fair value through profit or loss	**(2,233,478)**	**(285,114)**	**(2,518,592)**	-	(2,171,620)	(2,171,620)
Proceeds from disposals of financial assets at fair value through profit or loss	**886,484**	**35,934,581**	**36,821,065**	9,440,797	44,570,522	54,011,319
Purchases of property and equipment	**(1,790,876)**	**-**	**(1,790,876)**	(1,991,706)	-	(1,991,706)
Purchases of intangible assets	**(2,167,093)**	**-**	**(2,167,093)**	(4,460,807)	-	(4,460,807)
Purchases of available-for-sale investments	**(19,338,832)**	**(38,483,230)**	**(57,822,062)**	(32,933,817)	(24,744,901)	(57,678,718)
Proceeds from disposals of available-for-sale investments	**18,957,732**	**38,621,517**	**57,579,249**	40,905,864	43,744,901	84,650,765
Liquidation of statutory deposits	**-**	**19,000,000**	**19,000,000**	-	-	-
Proceeds on disposal of property and equipment	**4,850**	**-**	**4,850**	-	-	-
Net cash (utilized in) generated from investing activities	**(67,431,213)**	**75,787,754**	**8,356,541**	10,960,331	61,398,902	72,359,233
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal elements of lease payments	**(1,291,196)**	**-**	**(1,291,196)**	(2,912,324)	-	(2,912,324)
Dividend paid	**-**	**-**	**-**	-	(394)	(394)
Net cash utilised in financing activities	**(1,291,196)**	**-**	**(1,291,196)**	(2,912,324)	(394)	(2,912,718)

(continued)

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31. Supplementary information (continued)

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

	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net change in cash and cash equivalents	**(37,358,883)**	**(27,892,705)**	**(65,251,588)**	(5,381,721)	(49,737,104)	(55,118,825)
Cash and cash equivalents, beginning of the year	**144,148,184**	**144,070,069**	**288,218,253**	149,529,905	193,807,173	343,337,078
Cash and cash equivalents, end of the year	**106,789,301**	**116,177,364**	**222,966,665**	144,148,184	144,070,069	288,218,253
Supplemental non-cash information:						
Change in fair value reserve for available-for-sale investments	**(1,560,047)**	**(9,445,324)**	**(11,005,371)**	(772,355)	(340,500)	(1,112,855)
Right-of-use assets recorded against lease liabilities	**102,530**	**-**	**102,530**	6,717,981	-	6,717,981
Remeasurement gain on employee benefit obligations	**1,549,508**	**-**	**1,549,508**	1,078,683	-	1,078,683

32. Commitments and contingencies

a) Legal proceedings

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

b) Capital commitments

At December 31, 2022, the Company had outstanding commitment of Saudi Riyals 9.8 million in respect of purchase of investments related to a mutual fund. (December 31, 2021: Saudi Riyals 8.8 million).

33. Approval of the financial statements

The financial statements have been approved by the Board of Directors on 5 Ramadan 1444H (corresponding to March 27, 2023).