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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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KPMG

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarters in Riyadh

C.R. No. 1010425494

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

Sulimanyiah – prince Abdul-aziz Ibn Musaed
P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

CR:1010385804

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company

Opinion

We have audited the financial statements of **Al Alamiya for Cooperative Insurance Company** (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claim liability arising from insurance contract As at 31 December 2021, the gross outstanding claims including claims Incurred but Not Reported (IBNR) and other technical reserves amounted to SR 160.22 million (2020: SR 105.71 million) as reported in Note 9.1 of the financial statements. The valuation of ultimate insurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate insurance contract liabilities, we have determined it to be a key audit matter. *Refer to note 2 (e)(i) which which contains the disclosure of critical accounting judements, estimates and assumptions relating to the ultimate liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.*	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded. • We tested on a samples basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • We engaged our actuarial specialist to perform reprojections on selected lines of business, where we compared our reprojected claims liability to those booked by management and sought to understand any significant differences. For the remaining operating segments, we assessed the reasonableness of methodologies and assumptions used by the management against recognized actuarial practices and industry standards to identify and evaluate any anomalies • We evaluated the completeness and accuracy of data used by management in their calculation of ultimate insurance contract liabilities and evaluated the results of liability adequacy test. • We assessed the adequacy and appropriateness of the related disclosures in the financial statements.

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

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2021 annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endosred 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.

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

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

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

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

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

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

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

Independent auditors' report

To the Shareholders of Al Alamiya for Cooperative Insurance Company (continued)

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

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

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

KPMG Professional Services

Hani Hamzah A. Bedairi
Certified Public Accountant
License No. 460

For Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337

18 Sha'ban1443H
21 March 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		SR '000	
	Notes	**31 December 2021**	31 December 2020
ASSETS			
Bank balances and cash	*4*	**41,292**	23,056
Term deposits	*5*	**433,071**	411,015
Premiums and reinsurers' receivable, net	*8*	**37,575**	36,052
Reinsurers' share of unearned premiums	*9.2*	**25,843**	42,241
Reinsurers' share of outstanding claims	*9.1*	**99,384**	60,296
Reinsurers' share of claims incurred but not reported	*9.1*	**6,844**	3,386
Deferred policy acquisition costs	*9.3*	**3,006**	2,527
Available for sale investments	*6*	**127,766**	130,016
Due from related parties	*20*	**--**	734
Prepaid expenses and other assets		**26,818**	11,947
Deferred tax asset	*15e*	**1,206**	1,072
Property and equipment	*12*	**1,695**	1,413
Intangible assets	*12*	**3,659**	4,029
Statutory deposit	*11*	**40,000**	40,000
Accrued commission income on statutory deposit	*11*	**5,572**	5,297
TOTAL ASSETS		**853,731**	773,081

Khalid Allagany
Chief Executive Officer

Yasir Iqbal
Acting Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2021

		SR' 000	
	Notes	**31 December 2021**	31 December 2020
LIABILITIES			
Outstanding claims reserve	*9.1*	**131,242**	74,096
Claims incurred but not reported	*9.1*	**22,228**	26,047
Other technical reserves	*9.1*	**6,752**	5,568
Accrued expenses and other liabilities	*13*	**41,813**	37,879
Reinsurers' balances payable		**91,117**	74,048
Unearned premiums	*9.2*	**100,305**	60,932
Accounts payables		**1,932**	4,569
Unearned reinsurance commission	*9.4*	**2,376**	7,168
Due to related parties	*20*	**10,419**	3,763
End-of-service benefits	*22*	**11,106**	10,713
Zakat and income tax	*15d*	**53,815**	50,916
Accrued commission income payable to SAMA		**5,572**	5,297
Accumulated surplus	*10*	**8,223**	8,404
TOTAL LIABILITIES		**486,900**	369,400
EQUITY			
Share capital	*16*	**400,000**	400,000
Statutory reserve	*17*	**1,161**	1,161
Accumulated losses		**(36,880)**	(1,503)
Fair value reserve for available for sale investments	*6(b)*	**1,829**	3,768
Actuarial reserve for employee benefits		**721**	255
TOTAL EQUITY		**366,831**	403,681
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		**853,731**	773,081
COMMITMENTS AND CONTINGENCIES	*19*	**1,500**	851

Khalid Allagany
Chief Executive Officer

Yasir Iqbal
Acting Chief Financial Officer

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

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	SR '000 2021	SR '000 2020
REVENUES			
Gross premiums written			
- Direct		263,370	190,508
- Reinsurance		267	662
	9.2	263,637	191,170
Reinsurance premiums ceded			
- Local		(2,991)	(4,673)
- Foreign		(104,318)	(127,693)
		(107,309)	(132,366)
Excess of loss premium			
- Local		(358)	(261)
- Foreign		(6,522)	(4,953)
		(6,880)	(5,214)
Total reinsurance premium ceded	9.2	(114,189)	(137,580)
NET PREMIUMS WRITTEN	9.2	149,448	53,590
Changes in unearned premiums		(39,373)	12,678
Changes in reinsurers 'share of unearned premiums		(16,398)	1,235
NET PREMIUMS EARNED	9.2	93,677	67,503
Reinsurance commissions	9.4	16,204	17,326
TOTAL REVENUES		109,881	84,829
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(83,589)	(78,550)
Reinsurers' share of claims paid		32,719	34,301
NET CLAIMS PAID		(50,870)	(44,249)
Changes in outstanding claims		(57,146)	8,219
Changes in reinsurers' share of outstanding claims		39,088	9,497
Changes in claims incurred but not reported, net		7,277	4,736
Changes in other technical reserves		(1,184)	(781)
NET CLAIMS INCURRED		(62,835)	(22,578)
Policy acquisition costs	9.3	(10,217)	(15,090)
Other underwriting expenses		(19,947)	(1,378)
TOTAL UNDERWRITING COSTS AND EXPENSES		(92,999)	(39,046)
NET UNDERWRITING INCOME		16,882	45,783
OTHER OPERATING (EXPENSES) / INCOME			
Provision for impairment of receivables	8	(906)	(1,078)
General and administrative expenses	18	(56,591)	(61,163)
Investment income on term deposits		2,629	6,752
Investment income on bonds and sukuk		3,669	3,849
Other income		6,654	7,305
TOTAL OTHER OPERATING EXPENSES		(44,545)	(44,335)
TOTAL (LOSS) / INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		(27,663)	1,448
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	25B	--	--
NET (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		(27,663)	1,448
ZAKAT CHARGE FOR THE YEAR	15	(7,848)	(7,477)
INCOME TAX CHARGE FOR THE YEAR	15	134	(117)
NET LOSS AFTER ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE SHARE HOLDERS		(35,377)	(6,146)
BASIC AND DILUTED LOSS PER SHARE (SR)		(0.88)	(0.15)

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

		SR '000	
	Notes	**2021**	2020
Total loss for the year		**(35,377)**	(6,146)
OTHER COMPREHENSIVE INCOME			
-Items that may be reclassified to statement of income in subsequent periods			
Change in fair value of available for sale investments	*6*	**(1,939)**	1,600
-Items that will not be reclassified to statement of income in subsequent periods			
Remeasurement gain on end-of-service benefits		**466**	519
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(36,850)**	(4,027)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	*25C*	**--**	--
NET COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(36,850)**	(4,027)

Khalid Allagany
Chief Executive Officer

Yasir Iqbal
Acting Chief Financial Officer

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER
SR in '000'

2021	*Notes*	**Share capital**	**Statutory Reserve**	**Accumulated (losses)**	**Fair value reserve for available for sale investments**	**Actuarial reserve for employee benefit**	**Total Equity**
Balance at January 1, 2021		**400,000**	**1,161**	**(1,503)**	**3,768**	**255**	**403,681**
Total comprehensive income for the year							
Changes in fair values of available for sale investments	6	--	--	--	**(1,939)**	--	**(1,939)**
Net loss after Zakat and Income Tax for the year attributable to shareholders		--	--	**(35,377)**	--	--	**(35,377)**
Remeasurement of defined benefit liability	22a	--	--	--	--	**466**	**466**
Balance at 31 December 2021		**400,000**	**1,161**	**(36,880)**	**1,829**	**721**	**366,831**

2020	*Notes*	Share capital	Statutory Reserve	(Accumulated losses) / retained earnings	Fair value reserve for available for sale investments	Actuarial reserve for employee benefit	Total Equity
Balance at January 1, 2020		400,000	1,161	4,643	2,168	(264)	407,708
Total comprehensive income for the year							
Changes in fair values of available for sale investments	6	--	--	--	1,600	--	1,600
Net loss after Zakat and Income Tax for the year attributable to shareholders		--	--	(6,146)	--	--	(6,146)
Remeasurement of defined benefit liability	22a	--	--	--	--	519	519
Balance at 31 December 2020		400,000	1,161	(1,503)	3,768	255	403,681

Khalid Allagany
Chief Executive Officer

Yasir Iqbal
Acting Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	SR' 000 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss / (income) for the year before zakat and income tax		**(27,663)**	1,448
Adjustments for non-cash items:			
Depreciation of property and equipment	12	**1,982**	995
Amortization of intangible assets	12	**943**	650
Amortizations of investments	6b	**311**	334
Provisions for impairment of receivables	8	**906**	1,078
Provision for end-of-service benefits	22	**2,018**	2,017
		(21,503)	6,522
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(2,429)**	6,977
Reinsurers' share of unearned premiums		**16,398**	(1,235)
Reinsurers' share of outstanding claims		**(39,088)**	(9,497)
Reinsurers' share of claims Incurred but not reported		**(3,458)**	5,792
Deferred policy acquisition costs		**(479)**	1,632
Due from related parties		**734**	(665)
Prepaid expenses and other assets		**(14,871)**	(1,318)
Accrued income from statutory deposits		**(275)**	(1,146)
Accounts payables		**(2,637)**	(10,491)
Accrued expenses and other liabilities		**3,934**	1,986
Reinsurers' balances payable		**17,069**	(7,372)
Unearned premiums		**39,373**	(12,678)
Unearned reinsurance commission		**(4,792)**	2,808
Outstanding claims reserve		**57,146**	(8,219)
Claims incurred but not reported		**(3,819)**	(10,528)
Other technical reserves		**1,184**	781
Accrued commission income payable to SAMA		**275**	1,146
Due to related parties		**6,656**	1,975
		49,418	(33,530)
Zakat and income tax paid	15d	**(4,949)**	(953)
End-of-service benefits paid	22	**(1,159)**	(1,401)
Surplus paid to policy holders	10	**(181)**	(1,448)
Net cash generated from / (used in) operating activities		**43,129**	(37,332)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals / additions in available for sale investments, net	6b	--	29,100
Disposals / additions in term deposits, net		**(22,056)**	20,750
Additions in intangible assets		**(1,225)**	(3,118)
Additions in property and equipment	12	**(1,612)**	(1,263)
Net cash (used in) / generated from investing activities		**(24,893)**	45,469
Net change in cash and cash equivalents		**18,236**	8,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**22,356**	14,219
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	**40,592**	22,356
NON-CASH INFORMATION			
Change in fair value of available for sale investments	6	**(1,939)**	1,600
Remeasurement gain on end-of-service benefits	22a	**466**	519

Khalid Allagany
Chief Executive Officer

Yasir Iqbal
Acting Chief Financial Officer

The accompanying notes 1 to 28 form an integral part of these financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company (the "Company") is a Saudi joint stock Company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939). The registered address of the Company's head office is as follows:

Al Alamiya for Cooperative Insurance Company
8428 King Fahad Road, Al Muhammadiyah District,
Grand Tower, Floor 20, P.O. Box: 6393,
Riyadh 11442, Kingdom of Saudi Arabia

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from the Saudi Central Bank (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

a) Basis of Presentation

The financial statements for the year ended 31 December 2021 have been prepared in accordance with:

- International Financial Reporting Standard (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").
- The requirements of the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The statement of financial position, statement of income and statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 25 of the financial statement have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the 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 below in note 25 reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the Insurance Operations and Shareholders Operations are uniform for like transactions and events in similar circumstances. Surplus from insurance operations' and actuarial reserves from employee benefits are shown separately as Accumulated Surplus in the statement of financial position and as Actuarial reserve for employee benefits in the statement of equity, respectively.

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

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: bank balances and cash, term deposits, premiums and reinsurers' receivable, net, reinsurance share of unearned premiums, reinsurance share of outstanding claims, reinsurance share of IBNR, due from related party, deferred policy acquisition costs, and prepaid expenses and other assets. The following balances would generally be classified as non-current property and equipment and intangible assets, deferred tax assets, statutory deposit, accrued commission income on statutory deposit and available for sale investments in insurance operations.

2 BASIS OF PREPARATION (Continued)

b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for the measurement at fair value of available for sale investments and End of Service Benefits (EOSB) at present value of future obligations using projected unit credit method.

c) Functional and presentational currency

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

d) Fiscal year

The Company follows a fiscal year ending December 31.

e) Critical accounting judgments, estimates and assumptions

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the foreseeable future are discussed below.

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims Incurred But Not Reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the end of reporting date, for which the insured event has occurred prior to the end of reporting date. The Company uses the services of a qualified actuary in the valuation of IBNR as well as premium deficiency reserves.

(ii) Impairment on premiums and reinsurance balances receivable

The Company assesses receivables that are individually significant, and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that considers past-due status being indicative of the ability to pay all amounts due as per contractual terms.

(iii) Impairment of available for sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

f) Seasonality of operations

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020. Based on the adoption of amendments to existing standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual financial statements.

a) Amendments to existing accounting standards

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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 in which the event or condition that triggers the reduced payment occurs. The amendment has no impact on the financial statements, nor is there expected to be any future impact to the Company.

b) Standards issued but not yet effective

In addition to the above-mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect date in future dates.

i) IFRS 9 Financial Instruments

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

Classification and measurement

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

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

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

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

Impairment

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

Hedge accounting

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

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

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

    a) the effective date of a new insurance contract standard; or
    b) annual reporting periods beginning on or after January 1, 2023. On 17 March 2020, the International Accounting Standards Board (IASB) decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominantly connected with insurance and have not applied IFRS 9 previously; or,

2) adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

The Company has performed a preliminary assessment which included below:

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

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

Impact assessment

As at 31 December 2021, the Company has total financial assets and insurance related assets amounting to SR 686.9 million (2020: SR 646.2 million) and SR 135.1 million (2020: SR 108.5 million), respectively. Financial assets mainly represent investments held at amortized cost which consist of bank balances and cash, term deposits, premium and reinsurers' receivables, due from related parties, statutory deposits and accrued income on statutory deposits amounting to SR 559.1 million (2020: SR 516.2 million). Other financial assets consist of available for sale investments amounting to SR 127.8 million (2020: SR 130.0 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Credit risk exposure and concentration of credit risk of these financial assets are mentioned in note 23.

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

ii) IFRS 17 Insurance Contracts

Overview

This standard was published on May 18, 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Measurement

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

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

a) the fulfilment cash flows (FCF), which comprise:

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

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

   At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

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

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

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

Effective date

The Company intends to apply the Standard on its effective date i.e. 1 January 2023. The IASB issued an Exposure Draft Amendments to IFRS 17 proposing certain amendments to IFRS 17 during June 2019 and received comments from various stakeholders. On 17 March 2020, the IASB completed its discussions on the amendments to IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. It decided that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Transition

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

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance and reinsurance contracts, together with amendments to presentation and disclosures.

Impact assessment:

The design phase of IFRS 17 implementation required company to develop and design new processes for the business including the system developments required under IFRS 17 and detailed assessment of business requirements. Following were the main areas under design phase:

Impact Area	Summary of Impact
Reinsurance contracts held	Under IFRS 17 reinsurance contracts held should be considered and measured separately from the gross business. Detailed assessment was performed on the Company's reinsurance arrangements and concluded that all RI arrangements are eligible for PAA, the Company has opted to apply PAA for eligible products.
Financial Impact	During the financial impact exercised carried out as part of phase 2 of IFRS 17 Implementation, the Company assessed the financial impact of the application and implementation of IFRS 17 and concluded that impact on adoption of IFRS 17 is immaterial as all the portfolios are eligible for PAA measurement model.
Data Impact	IFRS 17 has additional data requirements. During the phase 2, company has carried out a detailed benchmarking exercise and identified the data required for IFRS 17 and come up with a data dictionary required under phase 3, in which the data elements were categorized into 16 different datasets, containing all elements required by the engine.
IT Systems Impact	Assessment was performed on existing systems capabilities for IFRS 17 calculations and user requirements specification was anticipated prior to the setup and configuration of the new IT platform, storage and reporting and whether new systems / calculation engines should be implemented.
Implementation Plan	**Governance and Control Framework** The Company put in place a IFRS 17 governance program which included establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders **Operational Framework** The Company designed operational aspects of the design phase which included: • Establishing comprehensive data policy and data dictionary. • Company obtained the software license of Tagetik to install their calculation engine in line with the Company's group decision and identified the future state architectural design and the requirements, which need to be embedded in the calculation engine to meet the requirements of IFRS 17. • Finalizing various key processes needed for IFRS 17 transition. • Carrying out assessment of new resources, if any, to be recruited due to Adoption of IFRS 17, and creation of a recruitment plan. **Technical and Financial Framework** The Company completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions had been taken after due deliberations among various stakeholders and majority of policy papers were approved by the Company's IFRS 17 project steering committee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact Area	Summary of Impact
Dry Run 1	After the design phase, the Company started its journey towards executing the fourth phase, i.e., Implementation and Dry Runs, and started the implementation, to come up with IFRS 17 numbers by performing the first dry run. The Company submitted the 31 December 2020 financial statements as part of the first dry run to SAMA on 30 November 2021. After the submission, the Company also attended the SAMA meeting on the December 16, 2021 to present the first dry run submission to SAMA. Some of key takeaway messages from SAMA meeting were: • Main purpose of the meeting was to bring companies to realize the importance of implementation and thereby identify the problem statement to ensure subsequent action plan. • First dry run to be taken as an opportunity to plug gaps in data quality, thereby improve the processes and system. • Expect companies to attain better understanding and prepare themselves for more granular discussions on the financial statements for the second dry run which will cover the results. The Company's internal audit department has started working on the SAMA mandated internal audit on the design and operating effectiveness of controls during the first dry run, whose report is to be submitted to SAMA by 31 January 2022. Report would be covering the following areas: • Data governance • Assumptions and methodology • Model governance • Process governance • Change management

The Company has not early updated the following new IFRS and amendments to IFRS effective for annual years beginning after 1 January 2020. These standards, once adopted, are not expected to have any impact on the Company's financial statements amounts or presentation.

- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1 Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure Initiative: Accounting policies;
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *The following is summary of significant accounting policies followed in preparation of these financial statements which is consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020:*

- ***Cash and Bank Balances***

Cash and bank balances comprise cash on hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the date of acquisition.

- ***Prepayments***

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

- ***Accrued Expenses and Other Liabilities***

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

- ***Insurance Contracts***

Insurance contracts are those contracts where the Company (the "Insurer") has accepted 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. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

- ***Available For Sale Investments (AFS)***

Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS investments are subsequently measured at fair value.

Return on debt securities is recognised on an effective yield method. Profit or loss on sale of investments is recognised at the time of sale. Dividend income is recognised when right to receive such dividend is established.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'fair value reserve for available for sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of income as impairment charges. Fair values of investments are based on quoted prices for marketable securities or estimated fair values.

- ***Provisions***

A provision for incurred liabilities is recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

- ***Liability Adequacy Test***

As at each year end, an assessment is made of whether provision of unearned premium is adequate. Provision for premiums deficiency reserve is made where the expected claims and related expenses are expected to exceed unearned premiums. At the end of each reporting date, the Company reviews it premiums deficiency reserve and carries out a liability adequacy test to ensure the adequacy of the insurance contracts liabilities using the current best estimates of future contractual cash flows, claims handling and administration expenses. If these estimates show that the carrying amount of insurance liabilities is insufficient, the deficiency is recognized in the statement of income by establishing a provision in the statement of financial position. The Company estimates premium deficiency reserve based on actuarial valuation for each line of business separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Revenue Recognition***

Premiums and commissions are taken into income over the terms of the policies to which they relate, on a pro-rata basis. Unearned premiums and commissions represent the portion of premiums and commissions relating to the un expired period of coverage. The change in the provision for unearned premium and unearned commission is taken to the statement of income in the same order that revenue is recognised over the period of risk.

Retained premiums and commissions which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months of the period-end, in respect of marine cargo;
- Actual number of days for other lines of business; and
- 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.

- ***Claims***

These include the cost of claims and claims handling expenses paid during the year, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions.

Total outstanding claims comprise estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date, net of salvage and other recoveries including claims handling expenses.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported (IBNR) claims as well as for the cost of settling pending claims at the statement of financial position date.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratio which are reviewed at regular intervals by the Company's appointed actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

- ***Premium receivables***

Premiums receivable are non-derivative financial assets with fixed or determinable payments. These are recognized when due and are measured initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Premiums receivable are derecognized when the de recognition criteria for financial assets have been met.

- ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value is depreciated on a straight line basis over the estimated useful life as follows:

	Years
Furniture, fixtures and office equipment	3
Motor vehicles	3

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Property and Equipment** (continued)*

The assets' residual values and useful lives are reviewed at each financial position date and adjusted prospectively 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 or losses arising from disposal of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the related property and equipment and are recognised in the statement of income when the related property and equipment is disposed.

- ***Intangible Assets***

Intangible assets, include computer software, are stated at cost less accumulated amortization and any impairment in value. The cost less estimated residual value is amortized on a straight-line basis over the estimated useful life of three years.

- ***Reinsurance***

The Company cedes insurance risk in the normal course of business for a portion of risk it is insuring. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

- ***Deferred Policy Acquisition Costs (DPAC)***

DPAC are those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts that are deferred to the extent that those costs are recoverable out of future premiums. All other policy acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised based on the term of expected future premiums. Amortisation is recorded in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

- ***Salvage and Subrogation Reimbursement***

Some insurance contracts permit the Company to sell a (usually damaged) asset acquired in settling a claim (i.e. salvage). The Company may also have the right to pursue third parties for payment of some or all costs (i.e. 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 property. 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 action against the liable third party.

- ***Foreign Currencies***

Transactions in foreign currencies are initially recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate at the reporting date. All differences arising on non–trading activities are taken to the statement. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

As the Company's foreign currency transactions are primarily in US dollars, which is pegged against Saudi Riyals, therefore foreign exchange gains and losses are not significant and have not been disclosed separately.

- ***Impairment of Non-Financial assets***

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Offsetting***

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

- ***Impairment of Financial assets***

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

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

- ***Derecognition of Financial Instruments***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

- ***Trade Date Accounting***

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

- ***Expense Recognition***

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Reinsurance Premiums***

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognised from the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

- ***Unearned Commission Income***

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of income.

- ***Reinsurance Claims***

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

- ***Lease***

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.

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use 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 revise discount rate is used).

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 Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Segmental Reporting***

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

- Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting there from.
- Motor insurance products which provide coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Engineering includes long term Erection All Risks (EAR) and Contractor All Risk (CAR) policies and annual policies for Machinery Break Down (MBD), Machinery All Risk, Electronic Data Processing, Business Interruption in conjunction with MBD.
- Medical products which provide health care cover to policyholders.
- Marine insurance for loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.
- Group Life insurance which provides life insurance to groups of policyholders.
- Others include mainly general accident.

Shareholders' operations is a non-operating segment. Income earned from investments is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the year. If any transactions were to occur, transfer prices between operating segments are set mutually agreed terms. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

- ***Statutory Reserve***

In accordance with its by-laws, the Company shall allocate 10% of its net income and after setting off the accumulated losses, each year to a statutory reserve until it has built up a reserve equal to the share capital.

4. BANK BALANCES AND CASH

Bank balances and cash comprise the following:

SR'000	31 December 2021	31 December 2020
Bank balances and cash – Insurance operations	**37,714**	20,174
Bank balances and cash – Shareholders' operations	**2,878**	2,182
Cash and cash equivalents in statement of cashflows	**40,592**	22,356
Deposits against letters of guarantee – Insurance operations	**700**	700
Total	**41,292**	23,056

The Company holds an amount of SR 0.7 million (31 December 2020: SR 0.7 million) in the statement of financial position as deposits against letters of guarantee in favor of the Company's service providers.

5. TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standard and Poor's and Fitch ratings methodology. Term deposits are placed with local banks with a maturity of more than three months from the date of original placement and earn investment income at weighted average rate of 1.5% per annum (2020: 1.5% per annum). The carrying amounts of the term deposits approximate the fair value at the statement of financial position date.

6. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are classified as follows:

SR'000	31 December 2021			31 December 2020		
	Domestic	**International**	**Total**	Domestic	International	Total
Available for sale investments – Insurance operations *	**1,923**	--	**1,923**	1,923	--	1,923
Available for sale investments – Shareholders' operations	**125,843**	--	**125,843**	128,093	--	128,093
Total available for sale investments	**127,766**	--	**127,766**	130,016	--	130,016

a) Insurance operations – Available for sale investments

* This represents investments in respect of the Company's shareholding in Najm for Insurance Services which is a claim's service provider.

b) Shareholders' operations – Available for sale investments

SR '000	*2021*		*2020*	
	Amortised cost SR	***Market value SR***	*Amortised cost SR*	*Market value SR*
Sukuk – Fixed rate (Quoted)				
Saudi Government Sukuk	**124,014**	**125,843**	124,325	128,093
	124,014	**125,843**	124,325	128,093

Movement in the available for sale investment balance for shareholders' operations is as follows:

	Shareholders' operations	
SR'000	**31 December 2021**	31 December 2020
Opening balance	**128,093**	155,927
Purchases	--	--
Maturities	--	(29,100)
Amortization of investments	**(311)**	(334)
Changes in fair value of investments	**(1,939)**	1,600
Closing balance	**125,843**	128,093

The geographical split of investments held as available for sale comprise of sukuk issued by the Government of Kingdom of Saudi Arabia.

The cumulative unrealized gain in fair value of available for sale investments amounts to SR 1.83 million (2020: SR 3.77 million) is presented within the shareholders' equity in the statement of financial position.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:
Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

a. Carrying amounts and fair value (1)

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.

		Fair value			
SR'000s **31 December 2021**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Shareholders' operations					
Available for sale investments measured at fair value					
Sukuks	**125,843**	**125,843**	--	--	**125,843**
Insurance Operations					
Najm	**1,923**	--	--	**1,923**	**1,923**
	127,766	**125,843**	--	**1,923**	**127,766**

		Fair value			
SR'000s **December 31 , 2020**	Carrying value	Level 1	Level 2	Level 3	Total
Shareholders' operations					
Available for sale investments measured at fair value					
Bonds and Sukuks	128,093	128,093	--	--	128,093
Insurance Operations					
Najm	1,923			1,923	1,923
	130,016	128,093	--	1,923	130,016

The unlisted security of SR 1.92 million (2020: SR 1.92 million) held as part of Company's insurance operations, was stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the year ended 31 December31 December 2021, there were no transfers into or out of level 3 fair value measurements. To determine the fair value of such investments, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers in between levels during the year ended 31 December 2021.

8. PREMIUMS AND REINSURERS' RECEIVABLE

Receivables comprise amounts due from the following:

SR'000	Insurance operations 31 December 2021	Insurance operations 31 December 2020
Policyholders	**15,905**	21,276
Brokers and agents	**17,370**	16,656
Related parties (Note 20)	**10,701**	4,958
Receivables from reinsurers	**5,613**	4,270
	49,589	47,160
Provision for doubtful receivables	**(12,014)**	(11,108)
Premiums and reinsurers' receivable – net	**37,575**	36,052

Allowance for impairment of receivables include SR Nil million (2020: SR 0.15 million) against receivables from related parties. Movement in the allowance for impairment of receivables is as follows:

SR '000	2021	2020
Balance at 1 January	**11,108**	10,030
Charge of impairment for the year	**906**	1,078
Balance at 31 December	**12,014**	11,108

SR '000		Neither past due nor impaired			Past due but not impaired		Past due and impaired
	Total	**Less than 30 days**	**31 - 60 days**	**61 - 90 days**	**90 - 180 days**	**181 - 360 days**	**More than 360 days**
Premium and reinsurance receivables							
- Policyholders	**15,905**	**625**	**1,195**	**347**	**8,142**	**2,440**	**3,156**
- Brokers and agents	**17,370**	**949**	**556**	**990**	**5,947**	**2,662**	**6,266**
- Due from related parties	**10,701**	**5,603**	**5,098**	--	---	--	--
- Receivable from reinsurers	**5,613**	**3,129**	--	--	**108**	**342**	**2,034**
31 DECEMBER 2021	**49,589**	**10,306**	**6,849**	**1,337**	**14,197**	**5,444**	**11,456**
Premium and reinsurance receivables							
- Policyholders	21,277	306	545	7,231	7,955	1,622	3,618
- Brokers and agents	16,656	2,097	1,019	933	4,392	4,046	4,169
- Due from related parties	4,957	4,327	--	51	172	365	42
- Receivable from reinsurers	4,270	1,801	--	--	21	--	2,448
31 December 2020	47,160	8,531	1,564	8,215	12,540	6,033	10,277

The Company classifies balances as "past due and impaired" on case by case basis and an impairment adjustment is recorded in the statement of income. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is the normal practice of the Company to not obtain collateral over premiums receivable. These balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to respective policyholders' credit history, where there are minimal account defaults and vast majority of the receivables have been fully recovered in the past.

The Company does not have a formal internal credit ratings assessment process. Amounts which are neither past due nor impaired, in respect of premium receivable balances, are from individuals and unrated corporates.

8. PREMIUMS AND REINSURERS' RECEIVABLE (continued)

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies outside Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. As at 31 December 2021, no individual or corporate accounts is for more than 23% of the premium receivable (31 December 2020: 17%). In addition, the five largest customers accounts amount to 55% of the premiums receivable as at 31 December 2021 (31 December 2020: 57%).

9. TECHNICAL RESERVES

9.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

SR'000	Insurance operations	
	31 December 2021	31 December 2020
Outstanding claims	**147,809**	92,192
Less: Realizable value of salvage and subrogation	**(16,567)**	(18,096)
Outstanding claims reserve	**131,242**	74,096
Claims incurred but not reported	**22,228**	26,047
Other technical reserves	**6,752**	5,568
	160,222	105,711
Less:		
- Reinsurers' share of outstanding claims	**(99,384)**	(60,296)
- Reinsurers' share of claims Incurred but not reported	**(6,844)**	(3,386)
	(106,228)	(63,682)
Net outstanding claims and reserves	**53,994**	42,029

9.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

SR'000	Year ended 31 December 2021		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**60,932**	**(42,241)**	**18,691**
Premium written during the year	**263,637**	***(114,189)**	**149,448**
Premium earned during the year	**(224,264)**	**130,587**	**(93,677)**
Balance as at the end of the year	**100,305**	**(25,843)**	**74,462**

* This amount includes SR 104.3 million for reinsurance premium ceded abroad, SR 3.0 million for reinsurance premium ceded locally and SR 6.5 million for excess of loss expenses ceded abroad and, SR 0.3 million ceded locally.

9. TECHNICAL RESERVES (Continued)

9.2 MOVEMENT IN UNEARNED PREMIUMS *(Continued)*

	Year ended 31 December 2020		
SR'000	Gross	Reinsurance	Net
Balance as at the beginning of the year	73,610	(41,006)	32,604
Premium written during the year	191,170	*(137,580)	53,590
Premium earned during the year	(203,848)	136,345	(67,503)
Balance as at the end of the year	60,932	(42,241)	18,691

* This amount includes SR 111.0 million for reinsurance premium ceded abroad, SR 2.2 million for reinsurance premium ceded locally and SR 4.2 million for excess of loss expenses ceded abroad and, SR 0.2 million ceded locally.

9.3 DEFERRED POLICY ACQUISITION COSTS

SR'000	*2021*	*2020*
Balance at 1 January	**2,557**	4,159
Cost incurred during the year	**10,666**	13,458
Amortised during the year	**(10,217)**	(15,090)
Balance at 31 December	**3,006**	2,527

9.4 UNEARNED REINSURANCE COMMISSION

SR'000	*2021*	*2020*
Balance at 1 January	**7,168**	4,360
Commission received during the year	**11,412**	20,134
Commission earned during the year	**(16,204)**	(17,326)
Balance at 31 December	**2,376**	7,168

10. ACCUMULATED SURPLUS

SR'000	*2021*	*2020*
Balance at January 1	**8,404**	9,852
Total income attributed to the insurance operations during the year	--	--
Surplus paid to policy holders	**(181)**	(1,448)
Balance at 31 December	**8,223**	8,404

11. STATUTORY DEPOSIT

In compliance with Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SR 40 million (2020: SR 40 million) in a bank designated by SAMA. The received return on investment of statutory deposit as at 31 December 2021 amounts to SR 5.6 million (31 December 2020: SR 5.3 million) and has been disclosed in assets as "Accrued commission income on statutory deposit" and the corresponding amount is shown in the liabilities as "Accrued commission income payable to SAMA" as this deposit cannot be withdrawn without SAMA's consent.

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

SR'000	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Intangible assets*	*Total 2021*	*Total 2020*
Cost:						
Balance at 1 January	3,583	9,580	315	4,736	18,214	13,833
Additions during the year	1,162	63	--	1,612	2,837	4,381
Balance at 31 December	4,745	9,643	315	6,348	21,051	18,214
Accumulated depreciation / amortization:						
Balance at 1 January	(3,419)	(8,331)	(315)	(707)	(12,772)	(11,127)
Charge for the year (note 18)	(181)	(762)	--	(1982)	(2,925)	(1,645)
Balance at 31 December	(3,600)	(9,093)	(315)	(2,689)	(15,697)	(12,772)
Net book value:						
At 31 DECEMBER 2021	1,145	550	--	3,659	5,354	
At 31 December 2020	164	1,249	--	4,029		5,442

13. ACCRUED EXPENSES AND OTHER LIABILITIES

SR'000	*Insurance operations 2021*	*Shareholders' operations 2021*	*Total 2021*	*Insurance operations 2020*	*Shareholders' operations 2020*	*Total 2020*
Accrued salaries and benefits	3,159	--	3,159	3,258	--	3,258
Accrued supervision fees	302	--	302	269	--	269
Board of Directors' remuneration	--	630	630	--	630	630
Accrued withholding tax	7,476	--	7,476	8,179	--	8,179
Provision for levy on insurance polices	2,856	--	2,856	2,856	--	2,856
Accrued IT related services	2,391	--	2,391	3,327	--	3,327
Accrued legal and professional fees	2,263	--	2,263	2,763	--	2,763
Outsourced service charges payable	15,769	--	15,769	10,383	--	10,383
Training and recruitments	58	--	58	48	--	48
Hotels and travelling	50	--	50	100	--	100
Value Added Tax payable	1,022	--	1,022	666	--	666
Others	4,213	1,624	5,837	1,499	3,901	5,400
	39,559	2,254	41,813	33,348	4,531	37,879

14. 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 aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. During each year, the estimate of ultimate claim cost for respective year presented net of payments. Claims triangulation analysis (gross and net) by accident year spanning a number of financial years is set out as below.

2021 – Gross Basis

Accident Year	*2015& earlier*	*2016*	*2017*	*2018*	*2019*	*2020*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	**167,786**	**87,591**	**61,228**	**74,307**	**61,226**	**103,544**	**555,712**
One year later	**123,001**	**71,985**	**53,192**	**61,483**	**70,217**	-	**379,878**
Two years later	**102,235**	**59,596**	**50,182**	**57,576**	-	-	**269,589**
Three years later	**91,333**	**57,917**	**48,785**	-	-	-	**198,035**
Four years later	**81,953**	**55,124**	-	-	-	-	**137,077**
Five years later and after	**75,169**	-	-	-	-	-	**75,169**
Current estimate of cumulative claims	**75,169**	**55,124**	**48,785**	**57,576**	**70,217**	**103,544**	**410,435**
Cumulative paid claims	**71,285**	**53,097**	**43,534**	**47,942**	**34,355**	-	**250,213**
Liability recognised in statement of financial position	**3,884**	**2,027**	**5,251**	**9,634**	**35,862**	**103,544**	**160,222**

2021 – Net Basis

Accident Year	*2015& earlier*	*2016*	*2017*	*2018*	*2019*	*2020*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	**107,727**	**42,587**	**36,782**	**37,903**	**21,962**	**38,514**	**285,475**
One year later	**85,606**	**38,007**	**36,725**	**30,114**	**23,540**	-	**213,992**
Two years later	**66,203**	**34,127**	**35,315**	**29,498**	-	-	**165,143**
Three years later	**51,662**	**34,897**	**34,583**	-	-	-	**121,142**
Four years later	**42,107**	**33,228**	-	-	-	-	**75,335**
Five years later and after	**32,628**	-	-	-	-	-	**32,628**
Current estimate of cumulative claims	**32,628**	**33,228**	**34,583**	**29,498**	**23,540**	**38,514**	**191,991**
Cumulative paid claims	**35,451**	**32,188**	**32,414**	**24,121**	**13,823**		**137,997**
Liability recognised in statement of financial position	**(2,823)**	**1,040**	**2,169**	**5,377**	**9,717**	**38,514**	**53,994**

14. CLAIMS DEVELOPMENT (Continued)

2020– Gross basis

Accident Year	*2015& earlier*	*2016*	*2017*	*2018*	*2019*	*2020*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	260,206	102,701	87,591	61,228	74,307	61,226	647,259
One year later	202,418	81,803	71,985	53,192	61,483	--	470,881
Two years later	178,531	50,616	59,596	50,182	--	--	338,925
Three years later	188,951	45,996	57,917	--	--	--	292,864
Four years later	182,670	42,047	--	--	--	--	224,717
Five years later and after	177,239	--	--	--	--	--	177,239
Current estimate of cumulative claims	177,239	42,047	57,917	50,182	61,483	61,226	450,094
Cumulative paid claims	166,754	35,529	53,274	42,975	45,851	--	344,383
Liability recognised in statement of financial position	10,485	6,518	4,643	7,207	15,632	61,226	105,711

2020– Net basis

Accident Year	*2015& earlier*	*2016*	*2017*	*2018*	*2019*	*2020*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	103,089	64,501	42,587	36,782	37,903	21,962	306,824
One year later	88,356	57,430	38,007	36,725	30,086	--	250,604
Two years later	73,307	37,835	34,127	35,356	--	--	180,625
Three years later	73,500	33,598	34,891	--	--	--	141,989
Four years later	63,195	29,917	--	--	--	--	93,112
Five years later and after	57,315	--	--	--	--	--	57,315
Current estimate of cumulative claims	57,315	29,917	34,891	35,356	30,086	21,962	209,527
Cumulative paid claims	55,539	23,668	32,365	32,491	23,435	--	167,498
Liability recognised in statement of financial position	1,776	6,249	2,526	2,865	6,651	21,962	42,029

15. ZAKAT AND INCOME TAX

Status of assessments

The Company's zakat and tax calculations and corresponding accruals and payment of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the years ended 31 December 2020.

Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the period / years ended 2009 to 2013 with additional Zakat and withholding tax (WHT) liabilities amounting to SR 11.2 million and SR 8.9 million (together with 1% delay fine for each 30 days of delay) respectively. The Committee for Resolution of Tax Violations and Disputes (CRTVD) of the General Secretariat of Tax Committees (GSTC) has issued its decision on the above years accepting certain points and reducing the zakat liability to SR 7.1 million and no change in WHT liability. The Company has submitted an appeal to Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") against CRTVD's decision. Based on ZATCA's amnesty scheme, the Company settled additional WHT of SR 8.9 million to remove associated delay fines, such settled liability will be refunded by ZATCA in case of a favorable decision by ACTVDR. ACTVDR's decision is awaited.

15. ZAKAT AND INCOME TAX (Continued)

In respect of the assessment for the year 2014, the ZATCA has issued a revised assessment with an additional zakat liability of SR 1.98 million. The Company has registered the case with CRTVD and submitted an appeal against ZATCA's review points. Hearing session held on February 6, 2022 before the CRTVD, where the CRTVD has concluded about the case and delivered its verbal decision, through which the CRTVD has rejected the Company's appeal and supported ZATCA's assessment for all disputed items. The Company will file an appeal against the CRTVD decision to the ACTVDR.

The ZATCA has also issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company filed an appeal against ZATCA's assessment with CRTVD, no hearing has been conducted yet.

The ZATCA has also issued assessments for the years 2019 and 2020 with additional zakat and income tax liability amounting to SR 17 million and SR 0.72 million and penalties of SR 0.09 million till the date of assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company has appealed against the ZATCA's assessment.

The zakat and tax charge for the year ended are as follows:

SR'000

	31 December 2021	31 December 2020
Zakat charge for the year (*Note 15a*)	**7,848**	7,477
Income tax charge for the year (*Note 15c*)	**--**	125
Deferred tax (income) / expense charge for the year (*Note 15e*)	**(134)**	(8)
	(134)	117
	7,714	7,594

a) Zakat charge for the year

The Company's zakat and tax calculations and corresponding accruals and payments of zakat and tax are based on the ownership percentages which are 74.97% for zakat and 25.03% for the tax. The Company has submitted its zakat and tax returns up to the year ended 31 December 2020 and obtained the required certificates and acknowledgements.

The zakat charge is based on the following:

SR'000	**31 December 2021**	31 December 2020
Share capital	**400,000**	400,000
Reserves and provisions	**36,501**	(12,208)
Book value of long term assets	**(6,279)**	(5,442)
Adjusted net profit for the year	**(24,832)**	4,543
Zakat base	**405,390**	386,893
Saudi shareholders' share of zakat base	**303,901**	290,034
Zakat charge	**7,848**	7,477

The differences between the financial and the zakatable results are mainly due to provisions which are not included in the calculation of zakatable income.

b) Movement in the provision for zakat for the year

The movement in the provision for zakat for the year is as follows:

SR'000	**2021**	2020
Balance at 1 January	**49,860**	42,741
Charge for the year	**7,848**	7,477
Payments made during the year	**(4,824)**	(358)
Balance at 31 December	**52,884**	49,860

15. ZAKAT AND INCOME TAX (Continued)

c) Movement in the provision for income tax for the year

The movement in the provision for income tax for the year is as follows:

SR'000	2021	2020
Balance at 1 January	**1,056**	1,526
Charge for the year	--	125
Payments made during the year	**(125)**	(595)
Balance at 31 December	**931**	1,056

d) Movement in the provision for zakat and income tax for the year

The movement in the provision for zakat and income tax for the year is as follows:

SR'000	2021	2020
Balance at 1 January	**50,916**	44,267
Charge for the year	**7,848**	7,602
Payments made during the year	**(4,949)**	(953)
Balance at 31 December	**53,815**	50,916

e) Deferred tax asset

SR'000	2021	2020
Opening deferred tax asset	**1,072**	1,064
Deferred tax income	**134**	8
Closing deferred tax asset	**1,206**	1,072

SR'000	31 December 2021	31 December 2020
Opening zakat, income tax liability and deferred tax Asset	**49,844**	43,203
Charge / (reversal) for the period		
Current charge for zakat for the year	**7,848**	7,477
Current charge for income tax for the year	--	125
Deferred tax income for the year	**(134)**	(8)
Settled during the period	**(4,949)**	(953)
Closing zakat, income tax liability and deferred tax asset	**52,609**	49,844

16. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 400 million divided into 40 million shares of SR 10 each (31 December 2020: SR 400 million divided into 40 million shares of SR 10 each).

As at 31 December 2021 and 2020, the shareholding structure of the Company is as below.

	No. of shares	Authorized, issued and paid up capital
	'000	SR'000
Royal & Sun Alliance	20,028	200,280
Riyad Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

17. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the By-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution. No appropriation has been made because the Company has losses for this year (2020: SR Nil).

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2021			*2020*		
SR'000	***Insurance Operations SR***	***Shareholders' operations SR***	***Total SR***	*Insurance Operations SR*	*Shareholders' operations SR*	***Total SR***
Salaries and benefits	**29,093**	--	**29,093**	34,100		34,100
End of service benefits	**2,018**	--	**2,018**	2,017		2,017
Remuneration of the Board of Directors (note 20)	--	**630**	**630**	--	630	630
Technical service charges (note 20)	**6,628**	--	**6,628**	6,919	--	6,919
Rent	**1,273**	--	**1,273**	963	--	963
Depreciation	**943**	--	**943**	995	--	995
Amortization	**1,982**	--	**1,982**	650	--	650
Legal and professional fees	**3,475**	--	**3,475**	4,603	--	4,603
Business travel and transport	**72**	--	**72**	505	--	505
IT related services	**6,002**	--	**6,002**	7,049	--	7,049
Utilities	**459**	--	**459**	509	--	509
Stationery	**112**	--	**112**	250	--	250
Others	**3,079**	**825**	**3,904**	1,148	825	1,973
	55,136	**1,455**	**56,591**	59,708	1,455	61,163

19. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

SR'000	**31 December 2021**	31 December 2020
Letters of guarantee	**700**	700
Commitments for the rents	**800**	151

The Company is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management believes that such proceedings (including litigations) will not have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

Entities controlled, jointly controlled or significantly influenced by related parties	**Transactions for the year ended**	
	2021	2020
	SR' 000	
Gross premiums written	**79,621**	67,420
Gross claims paid	**15,454**	41,327
Brokerage commission paid	**1,631**	4,833
Reinsurance premium ceded	**26,706**	42,752
Reinsurance share of gross claim paid	**11,507**	2,970
Reinsurance commission income	**10,369**	16,947
Investment income on term deposits	**1,331**	3,179
Technical service charges	**6,628**	6,919
Brand fees	**30**	30
Operational expenses paid on behalf of affiliates and reinsurance placements	**1,752**	979
Operational expenses paid by affiliates on behalf of Company	**(2,224)**	(2,291)
Key management personnel and Board members		
Gross written premiums	**11**	4
Remuneration and meeting fee	**630**	630

Entities controlled, jointly controlled or significantly influenced by related parties	**Balance receivable / (payable) as at**	
	2021	2020
	SR'000	
Bank balances	**4,406**	2,237
Term deposits	**242,343**	142,810
Statutory deposit	**45,572**	45,297
Accrued interest receivable	**499**	254
Premium receivable	**10,701**	4,957
Reinsurance balance payable	**(16,536)**	(15,912)
Accrued expenses and other liabilities	**(16,661)**	(10,253)
Reinsurance share of gross outstanding claims	**14,488**	6,908
Gross outstanding claim	**(81,459)**	(53,028)
Due from related parties	**--**	734
Due to related parties	**(10,419)**	(3,763)

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	December 31, 2021	December 31, 2020
	SR'000	
Salaries and other allowances	**6,584**	6,956
End of service indemnities	**401**	403
	6,985	7,359

21. OPERATING SEGMENTS

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

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

Segment assets and liabilities comprise operating assets and liabilities.

Segment assets do not include (in respect of insurance operations) property and equipment, Term deposits, Investments, bank balances and cash, prepaid expenses, other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralized basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued and other liabilities, account payables, due to related parties, zakat and income tax, accrued commission, income payable to SAMA and due from insurance operations. Accordingly these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralized basis.

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

21. OPERATING SEGMENTS (Continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2021 and 31 December 2020, its total revenues, expenses, and net income for the the year ended, are as follows:

As at 31 December 2021

Operating segments	Insurance operations									
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total
	SR'000									
Assets										
Reinsurers' share of unearned premiums	17,206	-	2,990	-	1,387	210	4,050	25,843	-	25,843
Reinsurers' share of outstanding claims	21,736	2,082	4,503	9	2,275	64,425	4,354	99,384	-	99,384
Reinsurers' share of claims Incurred but not reported	2,483	-	205	(803)	137	4,822	-	6,844	-	6,844
Deferred policy acquisition costs	532	2,061	180	-	60	41	132	3,006	-	3,006
Unallocated assets	-	-	-	-	-	-	-	318,796	428,446	747,242
Total assets	41,957	4,143	7,878	(794)	3,859	69,498	8,536	453,873	428,446	882,319
Liabilities and equity										
Outstanding claim reserve	25,852	5,257	5,862	11	3,984	84,946	5,330	131,242	-	131,242
Claims incurred but not reported	2,853	12,657	308	(12)	183	6,155	84	22,228	-	22,228
Other technical reserves	2,210	3,262	810		434	36		6,752	-	6,752
Unearned premiums	19,718	69,424	3,469	-	1,845	350	5,499	100,305	-	100,305
Unearned reinsurance commission	1,261	163	723	-	376	-	(147)	2,376	-	2,376
Unallocated liabilities	-	-	-	-	-	-	-	190,970	428,446	619,416
Total Liabilities, Insurance operations' surplus and equity	51,894	90,763	11,172	(1)	6,822	91,487	10,766	453,873	428,446	882,319

21. OPERATING SEGMENTS (Continued)

As at 31 December 2020

Operating segments	Insurance operations									
	Property	Motor	Engineering	Medical	Marine	Group life	Others	Total - Insurance operations	Shareholders' operations	Total
	SR'000									
Assets										
Reinsurers' share of unearned premiums	31,333	--	4,490	--	3,093	526	2,799	42,241	--	42,241
Reinsurers' share of outstanding claims	10,204	2,082	1,427	10	2,767	41,526	2,280	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	116	--	319	(502)	(182)	3,635	--	3,386	--	3,386
Deferred policy acquisition costs	830	701	276	--	354	127	239	2,527	--	2,527
Unallocated assets	--	--	--	--	--	--	--	266,428	464,575	731,003
Total assets	42,483	2,783	6,512	(492)	6,032	45,814	5,318	374,878	464,575	839,453
Liabilities and equity										
Outstanding claims	10,978	(1,103)	1,889	62	4,451	54,414	3,405	74,096	--	74,096
Claims incurred but not reported	159	21,083	449	(11)	(291)	4,634	24	26,047	--	26,047
Other technical reserves	2,063	2,630	--	--	783	92	--	5,568	--	5,568
Unearned premiums	34,766	10,438	4,956	--	3,651	868	6,253	60,932	--	60,932
Unearned reinsurance commission	5,090	--	1,142	--	987	--	(51)	7,168	--	7,168
Unallocated liabilities								201,067	464,575	665,642
Total Liabilities, Insurance operations' surplus and equity	53,056	33,048	8,436	51	9,581	60,008	9,631	374,878	464,575	839,453

21. OPERATING SEGMENTS (Continued)

	For the year ended 31 December 2021 - (SR '000')							
Operating segSments	**Property**	**Motor**	**Engineering**	**Medical**	**Marine**	**Group Life**	**Others**	**Total**
REVENUES								
Gross premiums written	44,927	125,816	8,634	-	14,954	57,467	11,839	263,637
Reinsurance premiums ceded	(38,831)	-	(7,369)	-	(10,615)	(42,310)	(8,184)	(107,309)
Excess of loss premium	(1,460)	(3,250)	(289)	-	(993)	(788)	(100)	(6,880)
Net premiums written	4,636	122,566	976	-	3,346	14,369	3,555	149,448
Changes in unearned premiums, net	921	(58,986)	(13)	-	100	202	2,005	(55,771)
Net premiums earned	5,557	63,580	963	-	3,446	14,571	5,560	93,677
Reinsurance commissions	9,605	-	2,431	-	3,784	1	383	16,204
TOTAL REVENUES	15,162	63,580	3,394	-	7,230	14,572	5,943	109,881
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(16,482)	(42,887)	(1,251)	(174)	(1,825)	(15,118)	(5,852)	(83,589)
Reinsurers' share of claims paid	13,531	-	1,022	156	1,245	11,643	5,122	32,719
Net claims paid	(2,951)	(42,887)	(229)	(18)	(580)	(3,475)	(730)	(50,870)
Changes in outstanding claims, IBNR & technical reserves	(3,816)	1,434	(1,680)	(250)	169	(7,911)	89	(11,965)
Net claims incurred	(6,767)	(41,453)	(1,909)	(268)	(411)	(11,386)	(641)	(62,835)
Policy acquisition costs	(1,800)	(4,480)	(413)	-	(1,454)	(1,601)	(469)	(10,217)
Other underwriting expenses	-	-	-	-	-	-	-	(19,947)
TOTAL UNDERWRITING COSTS AND EXPENSES								(92,999)
NET UNDERWRITING INCOME								16,882
OTHER OPERATING (EXPENSES)/ INCOME								
Provision for doubtful debts								(906)
General and administrative expenses								(56,591)
Investment income on term deposits								2,629
Investment income								3,669
Other Income								6,654
TOTAL OTHER OPERATING EXPENSES								(44,545)
TOTAL LOSS FOR THE YEAR								(27,663)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE INSURANCE OPERATIONS								-
TOTAL LOSS FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS'								(27,663)

21. OPERATING SEGMENTS (Continued)

	For the year ended 31 December 2020 - SR ('000')							
Operating segments	Property	Motor	Engineering	Medical	Marine	Group Life	Others	Total
REVENUES								
Gross premiums written	76,176	22,165	15,158	162	14,093	50,464	12,952	191,170
Reinsurance premiums ceded	(67,200)	--	(12,725)	--	(11,595)	(34,034)	(6,812)	(132,366)
Excess of loss expenses	(1,865)	(1,242)	(366)	-	(642)	(750)	(349)	(5,214)
NET PREMIUMS WRITTEN	7,111	20,923	2,067	162	1,856	15,680	5,791	53,590
Changes in unearned premiums, net	(2,228)	16,361	(60)	289	(103)	(32)	(314)	13,913
NET PREMIUMS EARNED	4,883	37,284	2,007	451	1,753	15,648	5,477	67,503
Reinsurance commissions	9,676	--	2,475	--	5,088	--	87	17,326
TOTAL REVENUES	14,559	37,284	4,482	451	6,841	15,648	5,564	84,829
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(4,253)	(34,652)	(227)	(8,375)	(1,725)	(29,625)	307	(78,550)
Reinsurers' share of claims paid	3,523	--	216	7,435	1,298	22,623	(794)	34,301
Net claims paid	(730)	(34,652)	(11)	(940)	(427)	(7,002)	(487)	(44,249)
Changes in outstanding claims, IBNR & technical reserves	102	23,279	362	165	10	(2,195)	(52)	21,671
Net claims incurred	(628)	(11,373)	351	(775)	(417)	(9,197)	(539)	(22,578)
Policy acquisition costs	(4,109)	(3,408)	(1,067)	-	(1,308)	(4,463)	(735)	(15,090)
Other underwriting expenses								(1,378)
TOTAL UNDERWRITING COSTS AND EXPENSES								(39,046)
NET UNDERWRITING INCOME								45,783
OTHER OPERATING (EXPENSES)/ INCOME								
Provision for doubtful debts								(1,078)
General and administrative expenses								(61,163)
Investment income on term deposits								6,752
Investment income								3,849
Other Income								7,305
TOTAL OTHER OPERATING EXPENSES								(44,335)
TOTAL INCOME FOR THE YEAR								1,448
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE INSURANCE OPERATIONS								--
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS'								1,448

21. OPERATING SEGMENTS (Continued)

	For the year ended 31 December 2021 SAR'000				
Gross premiums written	**Medical**	**Motor**	**Property, General Accident & Others**	**Protection (Group Life) & Savings**	**Total**
Large	-	2,509	59,638	56,910	119,057
Medium	-	6,646	15,784	518	22,948
Micro	-	375	477	-	852
Small	-	2,599	4,154	39	6,792
Individual	-	113,687	301		113,988
	-	125,816	80,354	57,467	263,637

	For the year ended 31 December 2020 SAR'000				
Gross premiums written	Medical	Motor	Property, General Accident & Others	Protection (Group Life) & Savings	Total
Large	162	3,586	90,985	55,259	149,992
Medium	--	7,824	15,247	306	23,377
Micro	--	(130)	103	11	(16)
Small	--	2,894	6,191	33	9,118
Individual	--	7,991	708	--	8,699
	162	22,165	113,234	55,609	191,170

22. END OF SERVICE BENEFITS

The movement in provision for end-of-service benefits for the years ended 31 December as follows:

SR'000	2021	2020
Balance as 1 January	10,713	10,616
Current service cost	1,671	1,673
Interest cost	347	344
Amount recognized in profit or loss	2,018	2,017
Re-measurement gain recognized in other comprehensive income	(466)	(519)
Benefits paid during the year	(1,159)	(1,401)
Balance as 31 December	11,106	10,713

a) Re-measurement gain recognized in statement of changes in equity for the years ended 31 December as follows:

SR'000	2021	2020
Effect of experience adjustments	(466)	(519)
Re-measurement gain recognized in other comprehensive income	(466)	(519)

b) Net defined benefit as at year-end as follows:

SR'000	2021	2020
Present value of defined benefit obligation	11,106	10,713

c) Principal actuarial assumptions

The following were the principal actuarial assumptions:

	2021	2020
Discount rate	3%	3%
Future growth in salary	3.5%	3.5%
Retirement age	60 year	60 year

Discount rate used

This is the rate used to obtain the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The discount rate is derived with reference to the rates available in the market for the duration allowed as per the Company's investment policy. The Company currently considers bonds with a minimum credit rating of A as per Standard & Poor's or the equivalent from Moody's.

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 3.5% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. Salary increments are assumed to be given on 1st of April every year.

Turnover

We assumed age-dependent withdrawal rates, with high rates for younger employees. It was assumed that there would be zero withdrawals after age 55 years.

22. END OF SERVICE BENEFITS (continued)

Sensitivity analysis

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

SR'000	***2021 SR***	
	Increase	**Decrease**
Discount rate (0.5% movement)	**9,917**	**11,126**
Future salary growth (0. 5% movement)	**10,898**	**10,116**

SR'000	*2020 SR*	
	Increase	Decrease
Discount rate (0.5% movement)	9,906	11,152
Future salary growth (0. 5% movement)	10,918	10,110

d) Risks associated with defined benefit plans

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

23. 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. The Company is exposed to insurance, claims management, reserving and ultimate reserves, reinsurance, regulatory framework, credit, liquidity, foreign currency, investment income rate and market rate 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 the 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.

23. RISK MANAGEMENT (Continued)

Audit Committee and Internal Audit Department

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

a) **Insurance risk**

Insurance risk is the risk that actual claims payable to policy holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property, motor, casualty, engineering, medical and marine risks.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, casualty, medical and marine classes. These classes of insurance except for long tail engineering policies are generally regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Sources of uncertainty in estimation of future probable claim payments

The key source of estimation uncertainty at the balance sheet date relates to the 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 and possibly significant degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at balance sheet date the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 9.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral 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 balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

23. RISK MANAGEMENT (Continued)

Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom are underwritten either on a replacement value or on a market value basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

Engineering

The engineering business includes long term Erection All Risks (EAR) and Contractor All Risk (CAR) policies and annual policies for Machinery Break Down (MBD), Machinery All Risk, Electronic Data Processing, 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. These are adequately covered under the Engineering proportional and non-proportional treaties.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 1 million (2020: SR 1.0 million).

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim to SR 0.5 million (2020: SR 0.5 million).

Marine

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargo. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim to SR 2.0 million (2020: SR 2.0 million).

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in property and motor. The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by the same party. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluate 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 does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

23. RISK MANAGEMENT (Continued)

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 insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the claims ratio would impact income annually in aggregate by:

	Income from insurance operations	
	2021	2020
	SR'000	
Impact of change in claim ratio by +10%		
Property	**677**	63
Motor	**4,145**	1,137
Engineering	**191**	(35)
Medical	**27**	78
Marine	**41**	42
Group Life	**1,139**	920
Others	**64**	54
	6,284	2,259
Impact of change in claim ratio by -10%		
Property	**(677)**	(63)
Motor	**(4,145)**	(1,137)
Engineering	**(191)**	35
Medical	**(27)**	(78)
Marine	**(41)**	(42)
Group Life	**(1,139)**	(920)
Others	**(64)**	(54)
	(6,284)	(2,259)

a) Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

b) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, the Company's actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The objective of the Company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

c) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance program is effected under treaty, facultative and excess of loss reinsurance contracts.

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

23. RISK MANAGEMENT (Continued)

c) Reinsurance risk (continued)

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is SR 106.2 million (2020: SR 63.8 million).

d) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the 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 minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

e) 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 recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables 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 management in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets as at 31 December 2021 is SR 419.67 million for Insurance Operations (31 December 2020: SR 333.8 million) and SR 397.1 million for Shareholders' Operations (31 December 2020: SR 397.1 million).

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

SR'000	*2021 SR*		*2020 SR*	
	Insurance Operations	***Shareholders' Operations***	*Insurance Operations*	*Shareholders' Operations*
Assets				
Bank balances	**38,414**	**2,878**	20,874	2,182
Time deposits	**210,285**	**222,786**	190,845	220,170
Investments	**1,923**	**125,843**	--	128,093
Premiums and reinsurer' receivable	**49,589**	--	47,160	--
Reinsurers' share of outstanding claims	**99,384**	--	60,296	--
Reinsurers' share of claims incurred but not reported	**6,844**	--	3,386	--
Due from related parties	--	--	734	--
Other assets	**25,245**		10,558	1,389
Statutory deposit	--	**40,000**	--	40,000
Accrued commission income on statutory deposit	--	**5,572**	--	5,297
	431,684	**397,079**	333,853	397,131

23. RISK MANAGEMENT (Continued)

e) Credit risk (continued)

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities when they full due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled at the end of the day. At the time of investment, particular emphasis is focused on the selection of those companies which are actively traded. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity table

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

SR'000	*2021* Less than one year	*2021* More than one year	*2021* Total	*2020* Less than one year	*2020* More than one year	*2020* Total
	SR	SR	SR	SR	SR	SR
INSURANCE OPERATIONS' ASSETS						
Bank balances and cash	**38,414**	--	**38,414**	20,874	--	20,874
Term deposits	**210,285**	--	**210,285**	190,845	--	190,845
Investments	--	**1,923**	**1,923**	--	1,923	1,923
Premiums and insurance balances receivable, net	**37,575**	--	**37,575**	36,052	--	36,052
Due from related parties	--	--	-	734	--	734
Reinsurers' share of outstanding claims	**99,384**	--	**99,384**	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	**6,844**	--	**6,844**	3,386	--	3,386
Other assets	**12,138**	**13,107**	**25,245**	10,558	--	10,558
TOTAL INSURANCE OPERATIONS' ASSETS	**404,640**	**15,030**	**419,670**	322,745	1,923	324,668

23. RISK MANAGEMENT (continued)

f) Liquidity risk (Continued)

SR'000	2021 Less than one year SR	2021 More than one year SR	2021 Total SR	2020 Less than one year SR	2020 More than one year SR	2020 Total SR
SHAREHOLDERS' ASSETS						
Bank balances and cash	2,878	--	2,878	2,182	--	2,182
Term deposits	222,786	--	222,786	220,170	--	220,170
Investments	64,660	61,183	125,843	--	128,093	128,093
Other assets	1,573	--	1,573	1,389	--	1,389
Accrued commission income on statutory deposit	--	5,572	5,572	--	5,297	5,297
Statutory deposit	--	40,000	40,000	--	40,000	40,000
TOTAL SHAREHOLDERS' ASSETS	291,897	106,755	398,652	223,741	173,390	397,131
TOTAL ASSETS	709,644	108,678	818,322	546,486	175,313	721,799

SR'000	2021 Less than one year SR	2021 More than one year SR	2021 Total SR	2020 Less than one year SR	2020 More than one year SR	2020 Total SR
INSURANCE OPERATIONS' LIABILITIES						
Outstanding claims reserve	131,242	--	131,242	74,096	--	74,096
Claims incurred but not reported	22,228	--	22,228	26,047	--	26,047
Other technical reserves	6,752	--	6,752	5,568	--	5,568
Accounts payable	1,932	--	1,932	4,569	--	4,569
Reinsurance balances payable	91,117	--	91,117	74,048	--	74,048
Due to related parties	10,006	--	10,006	3,350	--	3,350
Accrued expenses and other liabilities	39,277	--	39,277	33,348	--	33,348
TOTAL INSURANCE OPERATIONS' LIABILITIES	302,554	--	302,554	221,026	--	221,026
SHAREHOLDERS' LIABILITIES						
Due to insurance operations	--	--	--	--	--	--
Due to related parties	413	--	413	413	--	413
Accrued and other liabilities	2,536	--	2,536	4,531	--	4,531
TOTAL SHAREHOLDERS' LIABILITIES	2,949	--	2,949	4,944	--	4,944

23. RISK MANAGEMENT (continued)

***f) Liquidity risk** (Continued)*

The tables below summaries the maturity profile of the financial assets and financial liabilities of the Company based on residual maturity. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums, reinsurance share of unearned premiums and deferred acquisition cost have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

			2021		
SR'000	*On Demand*	*Up to 1 year*	*2-5 years*	*More than 5 years*	*Total*
INSURANCE OPERATIONS' ASSETS					
Bank balances and cash	38,414	--	--	--	38,414
Term deposits	--	210,285	--	--	210,285
Investments	--	--	--	1,923	1,923
Premiums and insurance balances receivable, net	--	37,575	--	--	37,575
Due from related parties	--	--	--	--	--
Due from shareholders' operations	--	99,384	--	--	99,384
Reinsurers' share of outstanding claims	--	6,844	--	--	6,844
Reinsurers' share of claims incurred but not reported	--	--	--	--	--
Other assets	12,138	--	13,107	--	25,245
TOTAL INSURANCE OPERATIONS' ASSETS	50,552	354,088	13,107	1,923	419,670
SHAREHOLDERS' ASSETS					
Bank balances and cash	2,878	--	--	--	2,878
Term deposits	--	222,786	--	--	222,786
Investments	--	64,660	61,183	--	125,843
Other assets	--	1,573	--	--	1,573
Accrued commission income on statutory deposit	--	--	--	5,572	5,572
Statutory deposit	--	--	--	40,000	40,000
TOTAL SHAREHOLDERS' ASSETS	2,878	289,019	61,183	45,572	398,652

			2021		
SR'000	*On Demand*	*Up to 1 Year*	*2-5 years*	*More than 5 years*	*Total*
INSURANCE OPERATIONS' LIABILITIES					
Outstanding claims reserve	--	131,242	--	--	131,242
Claims incurred but not reported	--	22,228	--	--	22,228
Other technical reserve	--	6,752	--	--	6,752
Accounts payables	--	1932	--	--	1932
Reinsurers' balances payable	--	91,117	--	--	91,117
Due to related parties	--	10,006	--	--	10,006
Accrued expenses and other liabilities	--	39,277	--	--	39,277
TOTAL INSURANCE OPERATIONS' LIABILITIES	--	302,554	--	--	302,554
SHAREHOLDERS' LIABILITIES					
Due to insurance operations	--	--	--	--	--
Due to a related parties	--	413	--	--	413
Accrued expenses and other liabilities	--	2,536	--	--	2,536
TOTAL SHAREHOLDERS' LIABILITIES	--	2,949	--	--	2,949

23. RISK MANAGEMENT (continued)

***f) Liquidity risk** (Continued)*

			2020		
SR'000	*On Demand*	*Up to 1 Year*	*2-5 years*	*More than 5 years*	*Total*
INSURANCE OPERATIONS' ASSETS					
Bank balances and cash	20,874	--	--	--	20,874
Term deposits	--	190,845	--	--	190,845
Investments	--	--	--	1,923	1,923
Premiums and insurance balances receivable, net	--	36,052	--	--	36,052
Due from related parties	--	734	--	--	734
Due from shareholders' operations		--	--	--	--
Reinsurers' share of outstanding claims	--	60,296	--	--	60,296
Reinsurers' share of claims incurred but not reported	--	3,386	--	--	3,386
Other assets	--	10,558	--	--	10,558
TOTAL INSURANCE OPERATIONS' ASSETS	20,874	301,871	--	1,923	324,668
SHAREHOLDERS' ASSETS					
Bank balances and cash	2,182	--	--	--	2,182
Term deposits	--	220,170	--	--	220,170
Investments	--	--	128,093	--	128,093
Other assets	--	1,389	--	--	1,389
Accrued commission income on statutory deposit	--	--	--	5,297	5,297
Statutory deposit	--	--	--	40,000	40,000
TOTAL SHAREHOLDERS' ASSETS	2,182	221,559	128,093	45,297	397,131

			2020		
SR'000	*On Demand*	*Up to 1 Year*	*2-5 years*	*More than 5 years*	*Total*
INSURANCE OPERATIONS' LIABILITIES					
Outstanding claims reserve	--	74,096	--	--	74,096
Claims incurred but not reported	--	26,047	--	--	26,047
Other technical reserve	--	5,568	--	--	5,568
Accounts payables	--	4,569	--	--	4,569
Reinsurers' balances payable	--	74,048	--	--	74,048
Due to related parties	--	3,350	--	--	3,350
Accrued expenses and other liabilities	--	33,348	--	--	33,348
TOTAL INSURANCE OPERATIONS' LIABILITIES	--	221,026	--	--	221,026
SHAREHOLDERS' LIABILITIES					
Due to insurance operations	--	--	--	--	--
Due to a related parties	--	413	--	--	413
Accrued expenses and other liabilities	--	4,531	--	--	4,531
TOTAL SHAREHOLDERS' LIABILITIES	--	4,944	--	--	4,944

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and bank balances and investment securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

23. RISK MANAGEMENT (Continued)

g) Foreign currency risk

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

h) Investment income rate risk

Investment income rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market investment income rates. Floating rate instruments expose the Company to cash flow investment income risk, whereas fixed investment income rate instruments expose the Company to fair value interest risk. The Company is not exposed to investment income rate risk as rates are fixed.

i) Market rate risk

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

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

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders' comprehensive income is set out below:

	Change in market price	*Effect on statement of shareholders' comprehensive operations SR*
2021	**+5%**	**6,292**
	-5%	**(6,292)**
2020	+5%	6,405
	-5%	(6,405)

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of the equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves. The operations of the Company are subject to local regulatory requirements in the 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 minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares. As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company maintains solvency margin equivalent to the highest of the three methods as per SAMA Implementing Regulations.

The Company has fully complied with the externally imposed capital requirements during the reported financial year.

25. SUPPLEMENTARY INFORMATION

A) STATEMENT OF FINANCIAL POSITION

	SR '000					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
ASSETS						
Bank balances and cash	38,414	2,878	41,292	20,874	2,182	23,056
Term deposits	210,285	222,786	433,071	190,845	220,170	411,015
Premiums and reinsurers' receivable, net	37,575	-	37,575	36,052	--	36,052
Reinsurers' share of unearned premiums	25,843	-	25,843	42,241	--	42,241
Reinsurers' share of outstanding claims	99,384	-	99,384	60,296	--	60,296
Reinsurers' share of claims Incurred but not reported	6,844	-	6,844	3,386	--	3,386
Deferred policy acquisition costs	3,006	-	3,006	2,527	--	2,527
Investments	1,923	125,843	127,766	1,923	128,093	130,016
Due from related parties	-	-	-	734	--	734
Prepaid expenses and other assets	25,245	1,573	26,818	10,558	1,389	11,947
Deferred tax asset	-	1,206	1,206	--	1,072	1,072
Property and equipment	1,695	-	1,695	1,413	--	1,413
Intangible assets	3,659	-	3,659	4,029	--	4,029
Statutory deposit	-	40,000	40,000	--	40,000	40,000
Accrued commission income on statutory deposit	-	5,572	5,572	--	5,297	5,297
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	453,873	399,858	853,731	374,878	398,203	773,081
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from insurance operations	--	28,588	28,588	--	66,380	66,380
TOTAL ASSETS	453,873	428,446	882,319	374,878	464,583	839,461

25. SUPPLEMENTARY INFORMATION (Continued)

A) STATEMENT OF FINANCIAL POSITION ***(continued)***

	SR '000					
	31 December 2021			31 December 2020		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
LIABILITIES						
Outstanding claims reserve	131,242	-	131,242	74,096	--	74,096
Claims incurred but not reported	22,228	-	22,228	26,047	--	26,047
Other technical reserves	6,752	-	6,752	5,568	--	5,568
Accrued expenses and other liabilities	39,277	2,536	41,813	33,348	4,531	37,879
Reinsurers' balances payable	91,117	-	91,117	74,048	--	74,048
Unearned premiums	100,305	-	100,305	60,932	--	60,932
Accounts payables	1,932	-	1,932	4,569	--	4,569
Unearned reinsurance commission	2,376	-	2,376	7,168	--	7,168
Due to related parties	10,006	413	10,419	3,350	413	3,763
End-of-service benefits	11,106	-	11,106	10,713	--	10,713
Zakat and income tax	-	53,815	53,815	--	50,916	50,916
Accrued commission income payable to SAMA	-	5,572	5,572	--	5,297	5,297
Accumulated surplus	8,223	-	8,223	8,404	--	8,404
TOTAL LIABILITIES	424,564	62,336	486,900	308,243	61,157	369,400
EQUITY						
Share capital	--	400,000	400,000		400,000	400,000
Statutory reserve	--	1,161	1,161		1,161	1,161
Accumulated losses	--	(36,880)	(36,880)	--	(1,503)	(1,503)
Fair value reserve for available for sale investments		1,829	1,829	--	3,768	3,768
Actuarial reserve for employee benefits	721	-	721	255	--	255
TOTAL EQUITY	721	366,110	366,831	255	403,426	403,681
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	425,285	428,446	853,731	308,498	464,583	773,081
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to insurance operations	28,588	--	28,588	66,380	--	66,380
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	453,873	428,446	882,319	374,878	464,583	839,461

25. SUPPLEMENTARY INFORMATION (Continued)

B) STATEMENT OF INCOME

	SR '000					
	For the year ended December					
	2021			2020		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
REVENUES						
Gross premiums written						
- Direct	**263,370**	--	**263,370**	190,508	--	190,508
- Reinsurance	**267**	--	**267**	662	--	662
	263,637	--	**263,637**	191,170	--	191,170
Reinsurance premiums ceded	**(107,309)**	--	**(107,309)**	(132,366)	--	(132,366)
Excess of loss premium	**(6,880)**	--	**(6,880)**	(5,214)	--	(5,214)
Net premiums written	**149,448**	--	**149,448**	53,590	--	53,590
Changes in unearned premiums	**(39,373)**	--	**(39,373)**	12,678	--	12,678
Changes in reinsurers' share of unearned premium	**(16,398)**	--	**(16,398)**	1,235	--	1,235
Net premiums earned	**93,677**	--	**93,677**	67,503	--	67,503
Reinsurance commissions	**16,204**	--	**16,204**	17,326	--	17,326
TOTAL REVENUES	**109,881**	--	**109,881**	84,829	--	84,829
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(83,589)**	--	**(83,589)**	(78,550)	--	(78,550)
Reinsurers' share of claims paid	**32,719**	--	**32,719**	34,301	--	34,301
Net claims and other benefits paid	**(50,870)**	--	**(50,870)**	(44,249)	--	(44,249)
Changes in outstanding claims	**(57,146)**	--	**(57,146)**	8,219	--	8,219
Changes in reinsurers' share of outstanding claims	**39,088**	--	**39,087**	9,497	--	9,497
Changes in IBNR, net	**7,277**	--	**7,278**	4,736	--	4,736
Other technical reserves	**(1,184)**	--	**(1,184)**	(781)	--	(781)
Net claims incurred	**(62,835)**	--	**(62,835)**	(22,578)	--	(22,578)
Policy acquisition costs	**(10,217)**	--	**(10,217)**	(15,090)	--	(15,090)
Other underwriting expenses	**(19,947)**	--	**(19,947)**	(1,378)	--	(1,378)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(92,999)**	--	**(92,999)**	(39,046)	--	(39,046)
NET UNDERWRITING INCOME	**16,882**	--	**16,882**	45,783	--	45,783

25. SUPPLEMENTARY INFORMATION (Continued)

B) **STATEMENT OF INCOME** *(Continued)*

	SR '000					
	For the year ended December					
	2021			2020		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Provision for doubtful debts	(906)	-	(906)	(1,078)	--	(1,078)
General and administrative expenses	(55,136)	(1,455)	(56,591)	(59,708)	(1,455)	(61,163)
Investment income on term deposits	1,096	1,533	2,629	3,582	3,170	6,752
Investment income on bonds and sukuks	-	3,669	3,669	--	3,849	3,849
Other income	6,654	-	6,654	7,305	--	7,305
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(48,292)	3,747	(44,545)	(49,899)	5,564	(44,335)
TOTAL INCOME FOR THE YEAR	(31,410)	3,747	(27,663)	(4,116)	5,564	1,448
Total income for the year attributed to the insurance operations	-	-	-	--	--	--
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	31,410	(31,410)	--	4,116	(4,116)	--
TOTAL INCOME BEFORE ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	(27,663)	(27,663)	--	1,448	1,448
ZAKAT CHARGE FOR THE YEAR	-	(7,848)	(7,848)	--	(7,477)	(7,477)
TAX CHARGE FOR THE YEAR	-	134	134	--	(117)	(117)
	-	(35,377)	(35,377)	--	(6,146)	(6,146)
Loss per share (Expressed in SR per share)						
Basic and diluted loss per share	--	(0.68)	(0.68)		(0.15)	(0.15)

C) STATEMENT OF COMPREHENSIVE INCOME

	SR '000					
	For the year ended December					
	2021			2020		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
Total loss for the year	-	(35,377)	(35,377)	--	(6,146)	(6,146)
Other comprehensive loss						
Items that will not be reclassified to statement of income in subsequent periods						
Change in fair value of available for sale investments	-	(1,939)	(1,939)		1,600	1,600
-Items that will not be reclassified to statement of income in subsequent periods						
Remeasurement gain on end-of-service benefits	-	466	466	--	519	519
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	(36,850)	(36,850)	--	(4,027)	(4,027)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO INSURANCE OPERATIONS	-	-	-	--	--	--
NET COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	-	(36,850)	(36,850)	--	(4,027)	(4,027)

25. SUPPLEMENTARY INFORMATION (Continued)

D) STATEMENT OF CASH FLOWS

	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
	------------ 2021 ------------			----------- 2020 ------------		
CASH FLOWS FROM OPERATING ACTIVITIES						
Total Income for the year before zakat and income tax	--	(27,663)	(27,663)	--	1,448	1,448
Adjustments for non-cash items:						
Depreciation of property and equipment	1,982	--	1,982	995	--	995
Amortization of intangible assets	943	--	943	650	--	650
Amortizations of investments	--	311	311	--	334	334
Provision for provisions for impairment of receivables	906	--	906	1,078	--	1,078
Provision for end-of-service benefits	2,018	--	2,018	2,017	--	2,017
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(2,429)	--	(2,429)	6,977	--	6,977
Reinsurers' share of unearned premiums	16,398	--	16,398	(1,235)	--	(1,235)
Reinsurers' share of outstanding claims	(39,088)	--	(39,088)	(9,497)	--	(9,497)
Reinsurers' share of claims Incurred but not reported	(3,458)	--	(3,458)	5,792	--	5,792
Deferred policy acquisition costs	(479)	--	(479)	1,632	--	1,632
Due from related parties	734	--	734	(665)	--	(665)
Prepaid expenses and other assets	(14,687)	(184)	(14,871)	(4,991)	3,673	(1,318)
Accrued income from statutory deposits	--	(275)	(275)	--	(1,146)	(1,146)
Accounts payables	(2,637)	--	(2,637)	(10,491)	--	(10,491)
Accrued expenses and other liabilities	5,929	(1,995)	3,934	2,142	(156)	1,986
Reinsurers' balances payable	17,069	--	17,069	(7,372)	--	(7,372)
Unearned premiums	39,373	--	39,373	(12,678)	--	(12,678)
Unearned reinsurance commission	(4,792)	--	(4,792)	2,808	--	2,808
Outstanding claims reserve	57,146	--	57,146	(8,219)	--	(8,219)
Claims incurred but not reported	(3,819)	--	(3,819)	(10,528)	--	(10,528)
Other technical reserves	1,184	--	1,184	781	--	781
Accrued commission income payable to SAMA	--	275	275	--	1,146	1,146
Due to related parties	6,656	--	6,656	1,975	--	1,975
	78,949	(29,531)	49,418	(38,829)	5,299	(33,530)
Zakat and income tax paid	--	(4,949)	(4,949)	--	(953)	(953)
End-of-service benefits paid	(1,159)	--	(1,159)	(1,401)	--	(1,401)
Surplus paid to policy holders	(181)	--	(181)	(1,448)	--	(1,448)
Net cash generated from operating activities	77,609	(34,480)	43,129	(41,678)	4,346	(37,332)
CASH FLOWS FROM INVESTING						
Disposals / additions in available for sale investments, net			-	--	29,100	29,100
Disposals / additions in term deposits, net	(19,440)	(2,616)	(22,056)	58,024	(37,274)	20,750
Additions in intangible assets	(1,225)	--	(1,225)	(3,117)	--	(3,117)
Additions in property and equipment	(1,612)	--	(1,612)	(1,264)	--	(1,264)
Net cash generated (used in)/from investing activities	(22,277)	(2,616)	(24,893)	53,643	(8,174)	45,469
Net change in cash and cash equivalents	55,332	(37,096)	18,236	11,965	(3,828)	8,137
Cash and cash equivalents, beginning of the year	20,174	2,182	22,356	13,312	907	14,219
Due from/ (to) insurance operations	(37,792)	37,792	--	(5,103)	5,103	--
Cash and cash equivalents, end of the year	37,714	2,878	40,592	20,174	2,182	22,356

26. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

27. IMPACT OF COVID 19 OUTBREAK AND SUBSEQUENT EVENTS

The outbreak of novel coronavirus (COVID-19) since early 2020, its spread across mainland China and then globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope; has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility. The Company has considered the following while assessing the impact of COVID-19 outbreak:

- **Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended 31 December 2021. The Company's management continues to monitor the situation closely.

- **Credit risk management**

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

- Foods
- Airlines
- Freight companies
- Hotels
- Retail
- Construction
- Entertainment
- Tourism

- **Liquidity Risk**

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its monitoring of current liquidity needs as well as the pandemic in its entirety. The Company regularly reviews and updates the liquidity forecast based on the individual liquidity balance as well as the continued development of external economic factors.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statement have been approved by the Board of Directors on 09 March 2022, corresponding to 06 Shabaan 1443H.