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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member 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 2022, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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. For key audit matter, a description of how our audit addressed the matter is set out below:

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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
<u>Valuation of ultimate claims liability arising from insurance contract</u> As at 31 December 2022, the gross outstanding claims including claims incurred but not reported and other technical reserves amounted to SR 180.6 million (2021: SR 160.2 million) as reported in Note 9.1 of the financial statements. The valuation of ultimate claims liabilities arising from insurance contracts 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 and the management's expert used a range of actuarial methodologies to estimate these claims liabilities. 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. • 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 assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also assessed the reasonableness of actuarial reserve report issued by the Company's appointed actuary. • 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.

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

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

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

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License No. 348

For Al-Bassam & Co.

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

7 Ramadan 1444H
29 March 2023

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		SR '000	
	Notes	**December 31, 2022**	December 31, 2021
ASSETS			
Bank balances and cash	*4*	**37,443**	41,292
Term deposits	*5*	**472,533**	433,071
Premiums and reinsurers' receivable, net	*8*	**68,306**	37,575
Reinsurers' share of unearned premiums	*9.2*	**29,727**	25,843
Reinsurers' share of outstanding claims	*9.1, 26*	**74,346**	93,266
Reinsurers' share of claims incurred but not reported	*9.1*	**9,060**	6,844
Deferred policy acquisition costs	*9.3*	**8,381**	3,006
Available for sale investments	*6*	**121,927**	127,766
Due from related parties	*20*	**14**	--
Prepaid expenses and other assets		**42,798**	26,818
Deferred tax asset	*15e*	**--**	1,206
Property and equipment	*12*	**1,550**	1,695
Intangible assets	*12*	**1,772**	3,659
Statutory deposit	*11*	**40,000**	40,000
Accrued commission income on statutory deposit	*11*	**5,873**	5,572
TOTAL ASSETS		**913,730**	847,613

Yasir Iqbal
Acting Chief Financial Officer

Martin Rueegg
Acting Chief Executive Officer

Tariq Al Naeem
Deputy Chairman

The accompanying notes 1 to 27 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2022

		SR' 000	
	Notes	**December 31, 2022**	December 31, 2021
LIABILITIES			
Outstanding claims reserve	*9.1*	**126,893**	131,242
Claims incurred but not reported	*9.1*	**46,731**	22,228
Other technical reserves	*9.1*	**7,020**	6,752
Accrued expenses and other liabilities	*13*	**46,135**	41,813
Reinsurers' balances payable	*26*	**57,644**	84,999
Unearned premiums	*9.2*	**216,031**	100,305
Accounts payables		**2,040**	1,932
Unearned reinsurance commission	*9.4*	**3,346**	2,376
Due to related parties	*20*	**16,290**	10,419
End-of-service benefits	*22*	**7,202**	11,106
Zakat and income tax	*15d*	**56,331**	53,815
Accrued commission income payable to SAMA		**5,873**	5,572
Accumulated surplus	*10*	**8,175**	8,223
TOTAL LIABILITIES		**599,711**	480,782
EQUITY			
Share capital	*16*	**400,000**	400,000
Statutory reserve	*17*	**1,161**	1,161
Accumulated losses		**(85,655)**	(36,880)
Fair value reserve for available for sale investments	*6*	**(4,109)**	1,829
Actuarial reserve for employee benefits		**2,622**	721
TOTAL EQUITY		**314,019**	366,831
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND EQUITY		**913,730**	847,613
COMMITMENTS AND CONTINGENCIES	*19*	**929**	1,500

Yasir Iqbal
Acting Chief Financial Officer

Martin Rueegg
Acting Chief Executive Officer

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Deputy Chairman

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STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	SR '000 2022	SR '000 2021
REVENUES			
Gross premiums written			
- Direct		**455,162**	263,370
- Reinsurance		**367**	267
	9.2	**455,529**	263,637
Reinsurance premiums ceded			
- Local		**(5,057)**	(2,991)
- Foreign		**(110,415)**	(104,318)
		(115,472)	(107,309)
Excess of loss premium			
- Local		**(507)**	(358)
- Foreign		**(11,986)**	(6,522)
		(12,493)	(6,880)
Total reinsurance premium ceded	9.2	**(127,965)**	(114,189)
NET PREMIUMS WRITTEN	9.2	**327,564**	149,448
Changes in unearned premiums		**(115,726)**	(39,373)
Changes in reinsurers 'share of unearned premiums		**3,884**	(16,398)
NET PREMIUMS EARNED	9.2	**215,722**	93,677
Reinsurance commissions	9.4	**11,321**	16,204
TOTAL REVENUES		**227,043**	109,881
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(217,941)**	(83,589)
Reinsurers' share of claims paid	26	**61,659**	38,837
NET CLAIMS PAID		**(156,282)**	(44,752)
Changes in outstanding claims		**4,349**	(57,146)
Changes in reinsurers' share of outstanding claims	26	**(18,920)**	32,970
Changes in claims incurred but not reported, net		**(22,287)**	7,277
Changes in other technical reserves		**(268)**	(1,184)
NET CLAIMS INCURRED		**(193,408)**	(62,835)
Policy acquisition costs	9.3	**(20,406)**	(10,217)
Other underwriting expenses		**(27,770)**	(19,947)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(241,584)**	(92,999)
NET UNDERWRITING LOSS		**(14,541)**	16,882
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for impairment of receivables	8	**(2,084)**	(906)
General and administrative expenses	18	**(56,529)**	(56,591)
Investment income on term deposits		**8,601**	2,629
Investment income on bonds and sukuks		**3,519**	3,669
Other income		**17,964**	6,654
TOTAL OTHER OPERATING EXPENSES		**(28,529)**	(44,545)
TOTAL LOSS FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		**(43,070)**	(27,663)
TOTAL INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	25B	**--**	--
NET LOSS FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(43,070)**	(27,663)
ZAKAT CHARGE FOR THE YEAR	15	**(5,430)**	(7,848)
INCOME TAX CHARGE FOR THE YEAR	15	**(275)**	134
NET LOSS AFTER ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE SHARE HOLDERS		**(48,775)**	(35,377)
BASIC AND DILUTED LOSS PER SHARE (SR)		**(1.22)**	(0.88)

Yasir Iqbal
Acting Chief Financial Officer

Martin Rueegg
Acting Chief Executive Officer

Tariq Al Naeem
Deputy Chairman

The accompanying notes 1 to 27 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	SR '000 2022	SR '000 2021
Total loss for the year		**(48,775)**	(35,377)
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*	**(5,938)**	(1,939)
-Items that will not be reclassified to statement of income in subsequent periods			
Remeasurement gain on end-of-service benefits	*22*	**1,901**	466
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(52,812)**	(36,850)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO THE INSURANCE OPERATIONS	*25C*	**--**	--
NET COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(52,812)**	(36,850)

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Acting Chief Financial Officer

Martin Rueegg
Acting Chief Executive Officer

Tariq Al Naeem
Deputy Chairman

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER
SR in '000'

2022	***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, 2022		**400,000**	**1,161**	**(36,880)**	**1,829**	**721**	**366,831**
Total comprehensive income for the year							
Changes in fair values of available for sale investments	*6*	--	--	**-**	**(5,938)**	**-**	**(5,938)**
Net loss after Zakat and Income Tax for the year attributable to shareholders		--	--	**(48,775)**	**-**	**-**	**(48,775)**
Remeasurement of defined benefit liability	*22a*	--	--	**-**	**-**	**1,901**	**1,901**
Balance at December 31, 2022		**400,000**	**1,161**	**(85,655)**	**(4,109)**	**2,622**	**314,019**

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 December 31, 2021		400,000	1,161	(36,880)	1,829	721	366,831

Yasir Iqbal
Acting Chief Financial Officer

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Acting Chief Executive Officer

Tariq Al Naeem
Deputy Chairman

The accompanying notes 1 to 27 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	SR' 000 2022	SR' 000 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Total loss for the year before zakat and income tax		**(43,070)**	(27,663)
Adjustments for non-cash items:			
Amortization of intangible assets	*12*	**1,979**	1,982
Depreciation of property and equipment	*12*	**1,232**	943
Amortizations of investments	*6b*	**568**	311
Allowance for provisions for impairment of receivables	*8*	**2,084**	906
Provision for end-of-service benefits	*22*	**1,064**	2,018
		(36,143)	(21,503)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**(32,815)**	(2,429)
Reinsurers' share of unearned premiums		**(3,884)**	16,398
Reinsurers' share of outstanding claims		**18,920**	(32,970)
Reinsurers' share of claims Incurred but not reported		**(2,216)**	(3,458)
Deferred policy acquisition costs		**(5,375)**	(479)
Due from related parties		**(14)**	734
Prepaid expenses and other assets		**(15,980)**	(14,871)
Accrued income from statutory deposits		**(301)**	(275)
Accounts payables		**108**	(2,637)
Accrued expenses and other liabilities		**4,322**	3,934
Reinsurers' balances payable		**(27,355)**	10,951
Unearned premiums		**115,726**	39,373
Unearned reinsurance commission		**970**	(4,792)
Outstanding claims reserve		**(4,349)**	57,146
Claims incurred but not reported		**24,503**	(3,819)
Other technical reserves		**268**	1,184
Accrued commission income payable to SAMA		**301**	275
Due to related parties		**5,871**	6,656
		42,557	49,418
Zakat and income tax paid	*15d*	**(1,983)**	(4,949)
End-of-service benefits paid	*22*	**(3,067)**	(1,159)
Surplus paid to policy holders	*10*	**(48)**	(181)
Net cash generated from operating activities		**37,459**	43,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals / additions in available for sale investments, net	*6b*	**(667)**	--
Disposals / additions in term deposits, net		**(39,462)**	(22,056)
Additions in intangible assets	*12*	**(92)**	(1,612)
Additions in property and equipment	*12*	**(1,087)**	(1,225)
Net cash used in from investing activities		**(41,308)**	(24,893)
Net change in cash and cash equivalents		**(3,849)**	18,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**40,592**	22,356
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*4*	**36,743**	40,592
NON-CASH INFORMATION			
Change in fair value of available for sale investments	**6**	**(5,938)**	(1,939)
Remeasurement gain on end-of-service benefits	***22a***	**1,901**	466

Yasir Iqbal **Acting Chief Financial Officer**	**Martin Rueegg** **Acting Chief Executive Officer**	**Tariq Al Naeem** **Deputy Chairman**

The accompanying notes 1 to 27 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 December 31, 2022 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 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, statements of 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 2021. 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 2022 replacing, amending or adding to the corresponding accounting policies set out in 2021 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 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Standard / Amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a Company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a Company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to* IFRS 1, '*First- time Adoption of IFRS*', IFRS 9, '*Financial instruments*', IAS 41, '*Agriculture*' and the *Illustrative Examples accompanying* IFRS 16, '*Leases*'.	Annual periods beginning on or after 1 January 2022

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 9	Financial Instruments	See note below
IFRS 17	Insurance Contracts	See note below

i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments

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

Financial assets – Classification

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The classification of financial assets are:

a. Financial assets carried at amortized cost;

b. Financial assets carried at fair value through other comprehensive income (FVOCI); and

c. Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets at amortized cost

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

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

The details of these conditions are outlined below:

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

Financial assets at fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI: At initial recognition, the Company can apply the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held as follows:

Debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortized cost, FVOCI or FVTPL, depending on the particular circumstances

The equity investments that are classified as available-for-sale under IAS 39 will be measured at FVOCI under IFRS 9 as these equity investments are held for long term strategic purposes and will be designated as at FVOCI; Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments

Held-to-maturity investments and loans and receivables measured at amortized cost under IAS 39 will also be measured at amortized cost under IFRS 9

Financial assets – Impairment

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except in the following cases, for which the amount recognized is 12-month expected credit losses:

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses and are measured as follows:

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

Presentation of loss allowances in the statement of financial position:

Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets
- debt investments measured at FVOCI: the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Financial liabilities

Financial liabilities will be measured at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVTPL (e.g., derivatives not designated in a hedging relationship), or the Company elects to measure the financial liability at FVTPL (using the fair value option). Such options are irrevocable and can only be classified upon prior approval.

Transition

In accordance with the transition provisions and choices provided by the standard, comparative figures for 2022 will not be restated.

In accordance with transition provisions and choices provided by the standard, where entity does not restate prior period, it will recognize any difference between the previous carrying amount and the carrying amount at the beginning of the annual period that includes the date of initial application (DIA) in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the DIA.

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

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (before zakat) to the balance of the Company's total equity is estimated to be a reduction of SAR 2 million as at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period ending 31 March 2023.

Drivers of changes in equity	Impact on equity on transition to IFRS 9 on 1 January 2022
Classification of financial assets	Decrease of SR 1.8 million
Impairment of financial assets	Decrease of SR 0.2 million
Total Impact	**Decrease of 2 million**

The above changes in equity will affect the solvency ratio of the Company, which will be estimated and disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

ii) IFRS 17 Insurance Contracts

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

Structure and status of the Implementation project

The Company considers implementing IFRS 17 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Actuarial, Finance, IT, Operations and other respective departments to achieve a successful and robust implementation. The project is managed internally through a dedicated IFRS 17 team and governed by a steering committee. The preparation for IFRS 17 has required significant changes to the Company's reporting systems. The Company is well prepared for the reporting requirements from 1 January 2023 onwards.

As part of the four-phase approach for the transition from IFRS 4 to IFRS 17 mandated by Saudi Central Bank ("SAMA"), the Company has submitted the operational gap assessment, financial impact assessment, implementation plan and multiple dry runs using the FY20, FY21 and June 2022 data to SAMA.

Significant Judgements and Accounting Policy Choices

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

Contracts within/outside the scope of IFRS 17

A contract is insurance contract that falls under the scope of IFRS 17 if it transfers significant insurance risk or it is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies insurance contracts as those contracts under which the Company accepts significant insurance risk from another party (the insured), by agreeing to compensate the insured if a specified uncertain future event (the insured event), adversely affects the insured.

A reinsurance contract held is defined as an insurance contract issued by one entity (the reinsurer), to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (insurance contracts). Even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer significant insurance risk if it transfers to the reinsurers substantially all the insurance risk relating to the insured portions of the underlying reinsurance contracts.

An assessment of the insurance contracts issued, and reinsurance contracts held by the Company reveal that they all qualify for measurement and presentation under IFRS 17.

Combination/Unbundling of Contracts

At inception, the Company separates the following components from insurance or reinsurance contract and accounts for them as if they were stand-alone contracts:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.
  - any promises to transfer distinct goods or non-insurance services: The Company separates any promises to transfer distinct goods or non-insurance services and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A good or service is distinct if the insured can benefit from it either on its own or with other resources that are readily available to the insured. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

The Company does not underwrite any insurance contract and does not hold any reinsurance contract that contain embedded derivatives or distinct investment components. Furthermore, the Company's insurance portfolio does not contain any non-insurance components that will need to be unbundled from insurance contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Level of Aggregation

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

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

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for insured with different characteristics are included in the same group.

The Company identifies a contract as the smallest ‘unit’, i.e., the lowest common denominator of contracts that carry similar risks and are managed together and separates them based on expected profitability at inception. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). Further, no group for level of aggregation purposes contains contracts issued more than one year apart.

Measurement - Overview

IFRS 17 introduces 3 new measurement models, reflecting the nature of insurance contracts:

General Measurement Model

IFRS 17 introduces a generalized measurement model called the General Measurement Model (GMM) which shall be applicable to all kinds of insurance and reinsurance contracts, to the extent that they do not contain any direct participation features in any underlying invested assets.

The General Measurement Model has he 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.

a. the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the Company 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 reinsurance contracts is remeasured to be the sum of:

- the liability for remaining coverage (LRC), which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims (LIC), 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. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e., discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

The GMM is also applicable for the measurement of the liability for incurred claims. However, the Companies are 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.

The Variable Fee Approach (VFA)

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

- the Company's share of the changes in the fair value of underlying items.
- the effect of changes in the time value of money and financial risks not relating to the underlying items.

Premium Allocation Approach (PAA)

It is permitted for the measurement of the liability for the 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. The PAA behaves in a very similar manner as the current Unearned Premium and Acquisition Expenses approach under IFRS 4 with some notable differences as the introduction of a Financing Component for contracts having premiums and services more than 1 year apart as well as the method to recognize Loss Components.

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Company applies the PAA as the coverage period of these contracts is one year or less. In case of contracts with more than one-year of coverage period, the Company had carried out the PAA eligibility test to confirm that PAA may be applied. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Significant Judgements and Estimates

PAA eligibility assessment approach

The Company has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year. The calculation was performed under both simplified approach i.e. Premium Allocation Approach (PAA) and General Measurement Model (GMM). Situations, which may cause the LRC and / or ARC under the PAA to differ from the LRC and / or ARC under the GMM:

- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference; this difference compounds over longer contract durations.

Upon analysis of the possible differences between LRC and / or ARC applying the PAA and GMM approach, respectively, the Company did not note any material difference for contracts with coverage period of more than one year. Hence, it has opted to report all such contracts using the PAA approach maintaining a consistent accounting treatment to the rest of the portfolio of insurance contracts issued and reinsurance contracts held that have a coverage period of up to one year.

Discounting methodology

Insurance contract liabilities and Reinsurance contracts assets are calculated by discounting expected future cash flows at a discount rate that reflects the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. The Company applied the bottom up approach to determine the required discount rates. This approach is likely to reduce profit or loss volatility compared to determining yield curves using generic indices. The Company adjusts LRC and LIC for the time value of money, if required, and accommodates the required yield curves. The yield curves that were used to discount the estimates of future cash flows were European Insurance and Occupational Pensions Authority (EIOPA) yield curves for USD.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Risk adjustment for non-financial risk

The purpose of the Risk Adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The total RA is composed of the RA for LIC plus the RA for LRC. The Company adopted the PAA simplification for the calculation of LRC, therefore a RA for remaining coverage was only established for onerous group.

For the development of a Risk Adjustment framework in line with Company's risk appetite that allows for the compensation that the Company requires to bear uncertainty, the Company has decided to follow the Value at Risk (VaR) Method in line with Solvency II.

Reinsurer default provision

The Company incorporates in the estimates of future cashflows all reasonable and supportable information available without undue cost or effort, about amount, timing, and uncertainty of those cashflows. This includes the effect of non-performance by the issuer of the reinsurance contracts held.

Onerosity determination

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. Profitability is measured through the expected risk-adjusted combined ratio (including premiums, expenses and discounted risk adjusted claims). The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Company also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Current year Combined Operating Ratios (CORs) in excess of 100% for the past 3 years excluding Prior Year Development (PYD) was used as initial screening exercise to identify potentially onerous portfolios.
- Current year IFRS 17 Plan CORs in excess of 100%
- On satisfying either of 1) or 2), portfolio flagged as onerous.
- Changes in market conditions such as the entry of a competitor with an aggressive pricing or marketing strategy.
- Detrimental changes in Terms & Conditions.

Expected premium receipts adjustment

Insurance revenue will be adjusted with the amounts of expected receipts adjustment calculated on premiums not yet collected as at date of the statement of financial position. The computation will be performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. However, as the Company is still in the process of building its model, insurance revenue is calculated without the impact of ECL on the amount not yet collected. Therefore, the Company is in the process of assessing the impact of the same.

Significant financing component

The Company has assessed its LRC and concluded that no significant financing component exists within LRC. Therefore, the Company has not adjusted the carrying amount of the LRC to reflect the time value of money and the effect of financial risk using the discount rates.

Accounting Policy Choices

Length of Cohorts

The Company has adopted annual cohorts to measure group of insurance contracts issued and reinsurance contracts held in line with the financial year of the Company .

Use of OCI for insurance finance income / expenses (IFIE)

The Company has opted to include all insurance finance income or expenses for the period in profit or loss and therefore the impact of changes in discount rates and other financial variables will be included in profit or loss and not under OCI.

Unwinding of discount on risk adjustment

The Company has chosen to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. Hence, the charge is broken down into insurance service result and IFIE.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Expenses attribution

The Company identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling / maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the statement of income when incurred and instead are deferred on the same basis as the premiums (i.e based on the passage of time or if the release of risk is significantly different from the passage of time then based on the release of risk).

Other attributable expenses are allocated to the groups of contracts using an appropriate allocation mechanism. The Company has determined costs directly identified to the groups of contracts, as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

Non-directly attributable expenses, overheads and one-off exceptional expenses will typically be recognized in the statement of income immediately when incurred.

Deferral of acquisition costs

Commissions and other acquisition related expenses are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned, except for certain payroll costs deferred over the coverage period of the group of insurance contracts. The Company uses a systematic and rational method to allocate such expenses. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and

- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

Disclosures

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

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

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

Transition

Transition impact

The Company estimates that, on adoption of IFRS 17, the impact before Zakat and Tax is an increase in the Company’s total equity by SR 7.9 million to SR 9.8 million (i.e. 2.11% to 2.62% of total equity) at 1 January 2022.

Drivers of changes in Equity (excluding the impact of expected premium receipts adjustment)	**Impact on transition to IFRS 17 at January 1, 2022**
Changes in measurement of insurance contract liabilities	Decrease by SR 4.6 million to SR 3.6 million
Changes in measurement of insurance contract assets	Increase by SR 3.3 million to SR 6.2 million
Total Impact	**Increase by SR 7.9 million to 9.8 million**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 17 Insurance Contracts (continued)

Drivers of changes in Insurance Contract Liabilities	**Impact on transition to IFRS 17 at January 1, 2022**
Deferred acquisition expenses	Decrease by SR 12 million to SR 15 million
Risk adjustment	Increase by SR 10.5 million to 16.7 million
Discounting	Decrease by SR 3 million to SR 4 million
Loss component	Decrease by SR 1 million to SR 2 million
Others	Increase by SR 0.9 million to SR 0.7 million
Total Impact	**Decrease by SR 4.6 million to SR 3.6 million**

Drivers of changes in Insurance Contract Assets	**Impact on transition to IFRS 17 at January 1, 2022**
Risk adjustment	Increase by SR 7.2 million to 12 million
Discounting	Decrease by SR 4 million to SR 6 million
Others	Increase by SR 0.1 million to SR 0.2 million
Total Impact	**Increase by SR 3.3 million to SR 6.2 million**

The actual effect of the implementation of IFRS 17 and IFRS 9 on the Company could vary from this estimate. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2022 may change because:

- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- although parallel runs were carried out during 2022, the new systems and associated controls in place have not been operational for a more extended period;
- the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework;
- the new accounting policies, assumptions, judgements and estimations techniques employed are subject to change until the Company finalizes its first financial statements that include the date of initial application;
- data reconciliations, system implementation and integration, simplifications adopted to arrive at the above estimates, etc.; and
- the Company continues to refine its models, methodologies and systems as well as monitoring regulatory developments ahead of the IFRS 17 and IFRS 9 adoption on 1 January 2023.

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 2021:

- ***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***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.

- ***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***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

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***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).

- ***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 is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***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.

- ***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- ***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 20% 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	**December 31, 2022**	December 31, 2021
Bank balances and cash – Insurance operations	**33,554**	37,714
Bank balances and cash – Shareholders' operations	**3,189**	2,878
Cash and cash equivalents in statement of cashflows	**36,743**	40,592
Deposits against letters of guarantee – Insurance operations	**700**	700
Total	**37,443**	41,292

The Company holds an amount of SR 0.7 million (31 December 2021: SR 0.7 million) in the statement of financial position as 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 1.89% per annum (2021: 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	**December 31, 2022**			December 31, 2021		
	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	**120,004**	**-**	**120,004**	125,843	--	125,843
Total available for sale investments	**121,927**	**-**	**121,927**	127,766	--	127,766

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	***2022***		*2021*	
	Amortised cost SR	***Market value SR***	*Amortised cost SR*	*Market value SR*
Sukuks – Fixed rate (Quoted)				
Saudi Government Sukuk	**124,113**	**120,004**	124,014	125,843
	124,113	**120,004**	124,014	125,843

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

	Shareholders' operations	
SR'000	**December 31, 2022**	December 31, 2021
Opening balance	**125,843**	128,093
Purchases	**64,792**	--
Maturities	**(64,125)**	--
Amortization of investments	**(568)**	(311)
Changes in fair value of investments	**(5,938)**	(1,939)
Closing balance	**120,004**	125,843

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

The cumulative unrealized loss in fair value of available for sale investments amounts to SR 4.1 million (2021: SR 1.83 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

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 December 31, 2022	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Shareholders' operations					
Available for sale investments measured at fair value					
Sukuks	**120,004**	**120,004**	**-**	**-**	**120,004**
Insurance Operations					
Najm	**1,923**	**-**	**-**	**1,923**	**1,923**
	121,927	**120,004**		**1,923**	**121,927**

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

The unlisted security of SR 1.92 million (2021: 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. There were no transfers in between levels during the year ended December 31, 2022.

8. PREMIUMS AND REINSURERS' RECEIVABLE

Receivables comprise amounts due from the following:

SR'000	Insurance operations December 31, 2022	December 31, 2021
Policyholders	**26,330**	15,905
Brokers and agents	**37,767**	17,370
Related parties (Note 20)	**10,490**	10,701
Receivables from reinsurers	**7,817**	5,613
	82,404	49,589
Provision for doubtful receivables	**(14,098)**	(12,014)
Premiums and reinsurers' receivable – net	**68,306**	37,575

Allowance for impairment of receivables include Nil (2021:Nil) against receivables from related parties. Movement in the allowance for impairment of receivables is as follows:

SR '000	**2022**	2021
Balance at 1 January	**12,014**	11,108
Charge of impairment for the year	**2,084**	906
Balance at 31 December	**14,098**	12,014

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	**26,330**	**786**	**1,533**	**5,715**	**13,985**	**1,163**	**3,148**
- Brokers and agents	**37,767**	**4,437**	**2,116**	**11,300**	**5,629**	**7,993**	**6,292**
- Due from related parties	**10,490**	**9,887**	**603**	**-**	**-**	**-**	**-**
- Receivable from reinsurers	**7,817**	**2,844**	**-**	**13**	**-**	**2,977**	**1,983**
31 DECEMBER 2022	**82,404**	**17,954**	**4,252**	**17,028**	**19,614**	**12,133**	**11,423**
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

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.

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 December 31, 2022, no individual or corporate accounts is for more than 28% of the premium receivable (December 31, 2021: 23%). In addition, the five largest customers accounts amount to 61% of the premiums receivable as at December 31, 2022 (December 31, 2021: 55%).

9. TECHNICAL RESERVES

9.1 NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

	Insurance operations	
SR'000	**December 31, 2022**	December 31, 2021
Outstanding claims	**147,249**	147,809
Less: Realizable value of salvage and subrogation	**(20,356)**	(16,567)
Outstanding claims reserve	**126,893**	131,242
Claims incurred but not reported	**46,731**	22,228
Other technical reserves	**7,020**	6,752
	180,644	160,222
Less:		
- Reinsurers' share of outstanding claims	**(74,346)**	(93,266)
- Reinsurers' share of claims Incurred but not reported	**(9,060)**	(6,844)
	(83,406)	(100,110)
Net outstanding claims and reserves	**97,238**	60,112

The comparatives for reinsurance share of outstanding claims included an amount of SAR 6.1 million which has been reclassified to reinsurance balance payable. The corresponding statement of income amount has also been reclassified from changes in reinsurers' share of outstanding claims to reinsurer share of claim paid.

9.2 MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following

	Year ended December 31, 2022		
SR'000	**Gross**	**Reinsurance**	**Net**
Balance as at the beginning of the year	**100,305**	**(25,843)**	**74,462**
Premium written during the year	**455,529**	***(127,965)**	**327,564**
Premium earned during the year	**(339,803)**	**124,081**	**(215,722)**
Balance as at the end of the year	**216,031**	**(29,727)**	**186,304**

* This amount includes SR 110 million for reinsurance premium ceded abroad, SR 5.0 million for reinsurance premium ceded locally and SR 12 million for excess of loss expenses ceded abroad and, SR 0.5 million ceded locally.

	Year ended December 31, 2021		
SR'000	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.

9.3 DEFERRED POLICY ACQUISITION COSTS

SR'000	2022	2021
Balance at 1 January	**3,006**	2,527
Cost incurred during the year	**25,781**	10,696
Amortised during the year	**(20,406)**	(10,217)
Balance at 31 December	**8,381**	3,006

9.4 UNEARNED REINSURANCE COMMISSION

SR'000	2022	2021
Balance at 1 January	**2,376**	7,168
Commission received during the year	**12,291**	11,412
Commission earned during the year	**(11,321)**	(16,204)
Balance at 31 December	**3,346**	2,376

10. ACCUMULATED SURPLUS

SR'000	2022	2021
Balance at January 1	**8,223**	8,404
Total income attributed to the insurance operations during the year	**--**	--
Surplus paid to policy holders	**(48)**	(181)
Balance at 31 December	**8,175**	8,223

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 (2021: SR 40 million) in a bank designated by SAMA. The received return on investment of statutory deposit as at December 31, 2022 amounts to SR 5.9 million (31 December 2021: SR 5.6 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.

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12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

SR'000	*Furniture and fixtures*	*Office equipment*	*Motor vehicles*	*Intangible Assets*	*Total 2022*	*Total 2021*
Cost:						
Balance at 1 January	**4,745**	**9,643**	**315**	**6,348**	**21,051**	18,214
Additions during the year	**587**	**500**	**--**	**92**	**1,179**	2,837
Balance at 31 December	**5,332**	**10,143**	**315**	**6,440**	**22,230**	21,051
Accumulated depreciation / amortization:						
Balance at 1 January	**(3,600)**	**(9,093)**	**(315)**	**(2,689)**	**(15,697)**	(12,772)
Charge for the year (note 18)	**(642)**	**(590)**	**--**	**(1,979)**	**(3,211)**	(2,925)
Balance at 31 December	**(4,242)**	**(9,683)**	**(315)**	**(4,668)**	**(18,908)**	(15,697)
Net book value:						
At 31 DECEMBER 2022	**1,090**	**460**	**--**	**1,772**	**3,322**	
At 31 December 2021	1,145	550	--	3,659		5,354

13. ACCRUED EXPENSES AND OTHER LIABILITIES

SR'000	*Insurance operations 2022*	*Shareholders' operations 2022*	*Total 2022*	*Insurance operations 2021*	*Shareholders' operations 2021*	*Total 2021*
Accrued salaries and benefits	**3,545**	**--**	**3,545**	3,159	--	3,159
Accrued supervision fees	**675**	**--**	**675**	302	--	302
Board of Directors' remuneration	**--**	**630**	**630**	--	630	630
Accrued withholding tax	**12,952**	**--**	**12,952**	7,476	--	7,476
Provision for levy on insurance polices	**2,856**	**--**	**2,856**	2,856	--	2,856
Accrued IT related services	**1,658**	**--**	**1,658**	2,391	--	2,391
Accrued legal and professional fees	**2,617**	**--**	**2,617**	2,263	--	2,263
Outsourced service charges payable	**6,678**	**--**	**6,678**	15,769	--	15,769
Training	**47**	**--**	**47**	58	--	58
Hotels and travelling	**50**	**--**	**50**	50	--	50
Value Added Tax payable	**5,195**	**--**	**5,195**	1,022	--	1,022
Others	**4,241**	**4,991**	**9,232**	4,213	1,624	5,837
	40,514	**5,621**	**46,135**	39,559	2,254	41,813

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.

2022 – Gross Basis

Accident Year	*2017& earlier*	*2018*	*2019*	*2020*	*2021*	*2022*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	**165,734**	**61,228**	**74,307**	**61,226**	**103,552**	**137,315**	**603,362**
One year later	**129,363**	**53,192**	**61,483**	**70,217**	**88,860**	**-**	**403,115**
Two years later	**106,071**	**50,182**	**57,576**	**52,783**	**-**	**-**	**266,612**
Three years later	**95,013**	**48,785**	**52,384**	**-**	**-**	**-**	**196,182**
Four years later	**85,435**	**44,432**	**-**	**-**	**-**	**-**	**129,867**
Five years later and after	**83,475**	**-**	**-**	**-**	**-**	**-**	**83,475**
Current estimate of cumulative claims	**83,475**	**44,432**	**52,384**	**52,783**	**88,860**	**137,315**	**459,249**
Cumulative paid claims	**79,878**	**44,098**	**49,441**	**42,171**	**63,018**	**-**	**278,605**
Liability recognised in statement of financial position	**3,597**	**334**	**2,943**	**10,612**	**25,843**	**137,315**	**180,644**

2022 – Net Basis

Accident Year	*2017& earlier*	*2018*	*2019*	*2020*	*2021*	*2022*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	**98,160**	**36,782**	**37,903**	**21,962**	**38,542**	**75,422**	**308,771**
One year later	**70,140**	**36,725**	**30,114**	**27,955**	**40,086**	**-**	**205,020**
Two years later	**56,872**	**35,316**	**30,206**	**32,488**	**-**	**-**	**154,882**
Three years later	**48,558**	**35,178**	**27,853**	**-**	**-**	**-**	**111,589**
Four years later	**37,116**	**33,000**	**-**	**-**	**-**	**-**	**70,116**
Five years later and after	**33,534**	**-**	**-**	**-**	**-**	**-**	**33,534**
Current estimate of cumulative claims	**33,534**	**33,000**	**27,853**	**32,488**	**40,086**	**75,422**	**242,383**
Cumulative paid claims	**40,934**	**33,094**	**25,305**	**20,894**	**24,918**	**-**	**145,145**
Liability recognised in statement of financial position	**(7,400)**	**(94)**	**2,548**	**11,594**	**15,168**	**75,422**	**97,238**

14. CLAIMS DEVELOPMENT (Continued)

2021– Gross basis

Accident Year	*2016& earlier*	*2017*	*2018*	*2019*	*2020*	*2021*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	167,786	87,591	61,228	74,307	61,226	103,564	555,690
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	103,564	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	103,564	160,222

2021– Net basis

Accident Year	*2016& earlier*	*2017*	*2018*	*2019*	*2020*	*2021*	*TOTAL*
Estimate of ultimate claim cost:							
At the end of accident year	107,727	42,587	36,782	37,903	21,962	44,632	291,593
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	44,632	198,109
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	44,632	60,112

15. ZAKAT AND INCOME TAX

Status of assessments

The Company has submitted its zakat and tax returns up till the year ended 31 December 2021.

During the year, the shareholding of Royal and Sun Alliance, one of the parent entity, was changed. As a result, the Company's zakat and tax calculations and corresponding accruals for the current year are based on the effective annual ownership percentages which are 87.24% (2021: 74.97%) for zakat and 12.76% (2021: 25.03%) for the tax.

Zakat, Tax and Custom Authority (ZATCA) has raised assessments for the 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 escalated the appeal case to the GSTC, and the TVDRC has issued its decision where the TVDRC has rejected the Company's appeal and supported ZATCA's assessment for all disputed items. The Company has settled the additional zakat liability of SR 1.98 million and the case is closed.

The ZATCA issued assessments for the years 2015 through 2018 with additional zakat liability of SR 21 million. The Company escalated its appeal case to the GSTC. TVDRC rejected Company’s appeal and issued its resolution. The Company submitted an appeal to TVDAC on TVDRC’s decision. TVDAC decision is awaited

The ZATCA 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 the assessment (the penalties will increase by 1% for every 30 days of delay) respectively. The Company filed an appeal against the ZATCA’s assessment which was rejected by ZATCA. Thus, the Company escalated its appeal to the TVDRC. TVDRC issued its decision on the above years accepting certain points which reduce the Zakat liability by SAR 125k Approx. The Company has submitted an appeal to TVDAC on the partial rejection of TVDRC’s. TVDAC decision is awaited.

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

SR’000	**December 31, 2022**	December 31, 2021
Zakat charge for the year (*Note 15a*)	**5,430**	7,848
Reversal of Income tax for the year (*Note 15c*)	**(931)**	--
Deferred tax expense / (income) for the year (*Note 15e)*	**1,206**	(134)
	275	(134)
	5,705	7,714

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 87.24% for zakat (2021: 74.97%) and 12.76% (2021: 25.03%) for the tax. The Company has submitted its zakat and tax returns up to the year ended December 31, 2021 and obtained the required certificates and acknowledgements.

The zakat charge is based on the following:

SR’000	**December 31, 2022**	December 31, 2021
Share capital	**400,000**	400,000
Reserves and provisions	**24,156**	36,501
Book value of long term assets	**(6,848)**	(6,279)
Adjusted net profit for the year	**(40,313)**	(24,832)
Zakat base	**376,995**	405,390
Saudi shareholders’ share of zakat base	**280,543**	303,901
Zakat charge	**5,430**	7,848

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	**2022**	2021
Balance at 1 January	**52,884**	49,860
Provided during the year	**5,430**	7,848
Payments made during the year	**(1,983)**	(4,824)
Balance at 31 December	**56,331**	52,884

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:

	2022	2021
Balance at 1 January	**931**	1,056
Reversal during the year	**(931)**	--
Payments made during the year	**--**	(125)
Balance at 31 December	**--**	931

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:

	2022	2021
Balance at 1 January	**53,815**	50,916
Provided during the year	**4,499**	7,848
Payments made during the year	**(1,983)**	(4,949)
Balance at 31 December	**56,331**	53,815

e) Deferred tax asset

	2022	2021
Opening deferred tax asset	**1,206**	1,072
Deferred tax (expense) / income	**(1,206)**	134
Closing deferred tax asset	**--**	1,206

SR'000

	December 31, 2022	December 31, 2021
Opening zakat, income tax liability and deferred tax Asset	**52,609**	49,844
Charge / (reversal) for the period		
Current charge for zakat for the year	**5,430**	7,848
Current reversal for income tax for the year	**(931)**	--
Deferred tax expense for the year	**1,206**	(134)
Settled during the period	**(1,983)**	(4,949)
Closing zakat, income tax liability and deferred tax asset	**56,331**	52,609

16. SHARE CAPITAL

The authorized 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).

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

	December 31, 2022	
	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**

	December 31, 2021	
	No. of Shares	Authorized, issued and paid up capital
	'000	SR'000
Royal & Sun Alliance	20,028	200,280
Riyadh Bank	7,968	79,680
Others	12,004	120,040
	40,000	400,000

Royal & Sun Alliance Insurance (Middle East) B.S.C. (c) (RSA ME), a company domiciled in the Kingdom of Bahrain, was previously majority owned (50.00002%) by Sun Alliance Insurance Overseas Limited (SAIO), a company wholly owned by the RSA Insurance Group Ltd (incorporated in the United Kingdom) (RSA UK). On 7 July 2022, RSA UK announced the completion of sale of SAIO's shareholding in RSA ME to National Life & General Insurance Company SAOG, (NLGIC). NLGIC is majority owned by Oman International Development and Investment Co. SAOG (OMINVEST).

The remaining shares of RSA ME owned by a group of Saudi shareholders were sold to NLGIC in exchange for shares in NLGIC shares and accordingly RSA ME has become a wholly owned subsidiary of NLGIC.

RSA ME continues to be the majority shareholder of the company and subsequent to the aforementioned change in ultimate shareholding of the company, the Company is hundred percent owned by Saudi / GCC shareholders.

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.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2022			*2021*		
SR'000	***Insurance Operations SR***	***Shareholders' operations SR***	***Total SR***	*Insurance Operations SR*	*Shareholders' operations SR*	*Total SR*
Salaries and benefits	**29,572**	**--**	**29,572**	29,093	--	29,093
End of service benefits	**1,064**	**--**	**1,064**	2,018	--	2,018
Remuneration of the Board of Directors (note 20)	**--**	**630**	**630**	--	630	630
Technical service charges (note 20)	**2,954**	**--**	**2,954**	6,628	--	6,628
Rent	**875**	**--**	**875**	1,273	--	1,273
Depreciation	**1,232**	**--**	**1,232**	943	--	943
Amortization	**1,979**	**--**	**1,979**	1,982	--	1,982
Legal and professional fees	**4,254**	**--**	**4,254**	3,475	--	3,475
Business travel and transport	**272**	**--**	**272**	72	--	72
IT related services	**6,044**	**--**	**6,044**	6,002	--	6,002
Utilities	**566**	**--**	**566**	459	--	459
Stationery	**82**	**--**	**82**	112	--	112
Others	**6,180**	**825**	**7,005**	3,079	825	3,904
	55,074	**1,455**	**56,529**	55,136	1,455	56,591

19. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

SR'000	**December 31, 2022**	December 31, 2021
Letters of guarantee	**700**	700
Commitments for the rents	**229**	800
Total	**929**	1,500

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**	
	2022	2021
	SR' 000	
Gross premiums written	**87,586**	79,621
Gross claims paid	**49,729**	15,454
Brokerage commission paid	**6,507**	1,631
Reinsurance premium ceded	**17,573**	26,706
Reinsurance share of gross claim paid	**5,023**	11,507
Reinsurance commission income	**6,910**	10,369
Investment income on term deposits	**3,789**	1,331
Technical service charges	**6,678**	6,628
Brand fees	**30**	30
Operational expenses paid on behalf of affiliates and reinsurance placements	**3,009**	1,752
Operational expenses paid by affiliates on behalf of Company	**(3,523)**	(2,224)
Key management personnel and Board members		
Gross written premiums	**2**	11
Remuneration and meeting fee	**630**	630

Entities controlled, jointly controlled or significantly influenced by related parties	**Balance receivable / (payable) as at**	
	2022	2021
	SR'000	
Bank balances	**4,340**	4,406
Term deposits	**162,942**	242,343
Statutory deposit	**45,873**	45,572
Accrued interest receivable	**1,917**	499
Premium receivable	**12,191**	10,701
Reinsurance balance payable	**--**	(16,536)
Accrued expenses and other liabilities	**(7,579)**	(16,661)
Reinsurance share of gross outstanding claims	**--**	14,488
Gross outstanding claim	**(76,825)**	(81,459)
Due from related parties	**14**	--
Due to related parties	**(16,290)**	(10,419)

20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	December 31, 2022	December 31, 2021
	SR'000	
Salaries and other allowances	**5,928**	6,584
End of service indemnities	**306**	401
	6,234	6,985

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 December 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for the the year ended, are as follows:

As at December 31, 2022

	Insurance operations									
Operating segments	**Property**	**Motor**	**Engineering**	**Medical**	**Marine**	**Group life**	**Others**	**Total - Insurance operations**	**Shareholders' operations**	**Total**
	SR'000									
Assets										
Reinsurers' share of unearned premiums	22,131	-	2,563	-	589	34	4,410	29,727	-	29,727
Reinsurers' share of outstanding claims	9,490	-	2,290	1	4,392	58,049	124	74,346	-	74,346
Reinsurers' share of claims Incurred but not reported	2,620		291		114	5,987	48	9,060	-	9,060
Deferred policy acquisition costs	1,029	6,334	555	-	217	6	240	8,381	-	8,381
Unallocated assets								412,581	400,393	812,974
Total assets	35,270	6,334	5,699	1	5,312	64,076	4,822	534,095	400,393	934,488
Liabilities and equity										
Outstanding claim reserve	10,451	31,597	3,004	1	5,318	75,042	1,480	126,893	-	126,893
Claims incurred but not reported	3,587	34,316	400		300	7,849	279	46,731	-	46,731
Other technical reserves		7,015				5		7,020	-	7,020
Unearned premiums	28,901	170,871	6,827	-	2,492	57	6,883	216,031	-	216,031
Unearned reinsurance commission	2,399	-	728	-	169	-	50	3,346	-	3,346
Unallocated liabilities								134,074	400,393	534,467
Total Liabilities, Insurance operations' surplus and equity	45,338	243,799	10,959	1	8,279	82,953	8,692	534,095	400,393	934,488

21. OPERATING SEGMENTS (Continued)

As at December 31, 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	-	4,503	9	2,275	64,425	318	93,266	-	93,266
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	2,061	7,878	(794)	3,859	69,498	4,200	447,755	428,446	876,201
Liabilities and equity										
Outstanding claims	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	-	723	-	376	-	16	2,376	-	2,376
Unallocated liabilities	-	-	-	-	-	-	-	184,852	428,446	613,298
Total Liabilities, Insurance operations' surplus and equity	51,894	90,600	11,172	(1)	6,822	91,487	10,929	447,755	428,446	876,201

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

21. OPERATING SEGMENTS (Continued)

	For the year ended December 31, 2022 - (SR '000')							
Operating segments	**Property**	**Motor**	**Engineering**	**Medical**	**Marine**	**Group Life**	**Others**	**Total**
REVENUES								
Gross premiums written	59,408	292,407	9,428		12,791	67,005	14,490	455,529
Reinsurance premiums ceded	(48,001)	-	(4,557)		(4,036)	(50,253)	(8,625)	(115,472)
Excess of loss premium	(2,262)	(6,085)	(898)		(1,264)	(823)	(1,161)	(12,493)
Net premiums written	9,145	286,322	3,973		7,491	15,929	4,704	327,564
Changes in unearned premiums, net	(4,258)	(101,447)	(3,785)		(1,445)	117	(1,024)	(111,842)
Net premiums earned	4,887	184,875	188		6,046	16,046	3,680	215,722
Reinsurance commissions	6,525	-	1,211		1,453	1,700	432	11,321
TOTAL REVENUES	11,412	184,875	1,399		7,499	17,746	4,112	227,043
UNDERWRITING COSTS AND EXPENSES								
Gross claims paid	(18,479)	(141,015)	(3,451)	(10)	(4,038)	(47,704)	(3,244)	(217,941)
Reinsurers' share of claims paid	15,722	-	2,799	10	3,064	38,047	2,017	61,659
Net claims paid	(2,757)	(141,015)	(652)	-	(974)	(9,657)	(1,227)	(156,282)
Changes in outstanding claims, IBNR & technical reserves	4,768	(53,833)	1,449	793	1,077	3,030	5,590	(37,126)
Net claims incurred	2,011	(194,848)	797	793	103	(6,627)	4,363	(193,408)
Policy acquisition costs	(1,953)	(8,433)	(354)		(978)	(8,260)	(428)	(20,406)
Other underwriting expenses								(27,770)
TOTAL UNDERWRITING COSTS AND EXPENSES								(241,584)
NET UNDERWRITING LOSS								(14,541)
OTHER OPERATING (EXPENSES)/ INCOME								
Provision for doubtful debts								(2,084)
General and administrative expenses								(56,529)
Investment income on term deposits								8,601
Investment income								3,519
Other Income								17,964
TOTAL OTHER OPERATING EXPENSES								(28,529)
TOTAL LOSS FOR THE YEAR								(43,070)
NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE INSURANCE OPERATIONS								--
TOTAL LOSS FOR THE YEAR ATTRIBUTED TO THE SHAREHOLDERS'								(43,070)

21. OPERATING SEGMENTS (Continued)

	For the year ended December 31, 2021 - SR ('000') (Restated)							
Operating segments	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 expenses	(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	11,240	38,837
Net claims paid	(2,951)	(42,887)	(229)	(18)	(580)	(3,475)	5,388	(44,752)
Changes in outstanding claims, IBNR & technical reserves	(3,816)	1,434	(1,680)	(250)	169	(7,911)	(6,029)	(18,083)
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 December 31, 2022 SAR'000				
Gross premiums written	**Medical**	**Motor**	**Property, General Accident & Others**	**Protection (Group Life) & Savings**	**Total**
Large	-	**35,785**	**69,361**	**66,952**	**172,098**
Medium	-	**6,927**	**19,485**	**24**	**26,436**
Micro	-	**690**	**1,735**	**-**	**2,425**
Small	-	**2,966**	**5,227**	**29**	**8,222**
Individual	-	**246,039**	**309**	**-**	**246,348**
		292,407	**96,117**	**67,005**	**455,529**

	For the year ended December 31, 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

22. END OF SERVICE BENEFITS

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

SR'000	2022	2021
Balance as 1 January	**11,106**	10,713
Current service cost	**749**	1,671
Interest cost	**315**	347
Amount recognized in profit or loss	**1,064**	2,018
Re-measurement gain recognized in other comprehensive income	**(1,901)**	(466)
Benefits paid during the year	**(3,067)**	(1,159)
Balance as 31 December	**7,202**	11,106

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

SR'000	2022	2021
Effect of experience adjustments	**(1,901)**	(466)
Re-measurement gain recognized in other comprehensive income	**(1,901)**	(466)

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

SR'000	2022	2021
Present value of defined benefit obligation	**7,202**	11,106

c) Principal actuarial assumptions

The following were the principal actuarial assumptions:

Key actuarial assumptions	2022	2021
Discount rate used	**4.9%**	3%
Future growth in salary	**3%**	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% 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	***2022 SR***	
	Increase	**Decrease**
Discount rate (0.5% movement)	**7,494**	**8,150**
Future salary growth (0. 5% movement)	**8,155**	**7,487**

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

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

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, group life 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 2.5 million (2021: SR 1.0 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 (2021: 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.

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:

23. RISK MANAGEMENT (Continued)

	Income from insurance operations	
	2022	2021
	SR'000	
Impact of change in claim ratio by +10%		
Property	**201**	677
Motor	**19,485**	4,145
Engineering	**80**	191
Medical	**79**	27
Marine	**10**	41
Group Life	**663**	1,139
Others	**436**	64
	20,954	6,284
Impact of change in claim ratio by -10%		
Property	**(201)**	(677)
Motor	**(19,485)**	(4,145)
Engineering	**(80)**	(191)
Medical	**(79)**	(27)
Marine	**(10)**	(41)
Group Life	**(663)**	(1,139)
Others	**(436)**	(64)
	(20,954)	(6,284)

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 to 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.

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 91.5 million (2021: SR 106.2 million).

23. RISK MANAGEMENT (Continued)

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 December 31, 2022 is SR 471.91 million for Insurance Operations (December 31, 2021: SR 413.55 million) and SR 400.39 million for Shareholders' Operations (December 31, 2021: SR 397.10 million).

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

SR'000	***2022 SR***		*2021 SR*	
	Insurance Operations	***Shareholders' Operations***	*Insurance Operations*	*Shareholders' Operations*
Assets				
Bank balances	**34,254**	**3,189**	38,414	2,878
Time deposits	**245,429**	**227,104**	210,285	222,786
Investments	**1,923**	**120,004**	1,923	125,843
Premiums and reinsurer' receivable	**68,306**	**--**	37,575	--
Reinsurers' share of outstanding claims	**74,346**	**--**	93,266	--
Reinsurers' share of claims incurred but not reported	**9,060**	**--**	6,844	--
Due from related parties	**14**	**--**	--	--
Other assets	**38,575**	**4,223**	25,245	--
Statutory deposit	**--**	**40,000**	--	40,000
Accrued commission income on statutory deposit	**--**	**5,873**	--	5,572
	471,907	**400,393**	413,552	397,079

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.

23. RISK MANAGEMENT (Continued)

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 become 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. 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:

	2022			*2021*		
SR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SR	***SR***	***SR***	*SR*	*SR*	*SR*
INSURANCE OPERATIONS' ASSETS						
Bank balances and cash	**34,254**	**--**	**34,254**	38,414	--	38,414
Term deposits	**245,429**	**--**	**245,429**	210,285	--	210,285
Investments		**1,923**	**1,923**	--	1,923	1,923
Premiums and insurance balances receivable, net	**68,306**	**--**	**68,306**	37,575	--	37,575
Due from related parties	**14**	**--**	**14**	--	--	-
Reinsurers' share of outstanding claims	**74,346**	**--**	**74,346**	93,266	--	93,266
Reinsurers' share of claims Incurred but not reported	**9,060**	**--**	**9,060**	6,844	--	6,844
Other assets	**25,468**	**13,107**	**38,575**	12,138	13,107	25,245
TOTAL INSURANCE OPERATIONS' ASSETS	**456,877**	**15,030**	**471,907**	398,522	15,030	413,552

	2022			*2021*		
SR'000	***Less than one year***	***More than one year***	***Total***	*Less than one year*	*More than one year*	*Total*
	SR	***SR***	***SR***	*SR*	*SR*	*SR*
SHAREHOLDERS' ASSETS						
Bank balances and cash	**3,189**	**--**	**3,189**	2,878	--	2,878
Term deposits	**227,104**	**--**	**227,104**	222,786	--	222,786
Investments	**53,505**	**66,499**	**120,004**	64,660	61,183	125,843
Other assets	**4,223**	**--**	**4,223**	1,573	--	1,573
Accrued commission income on statutory deposit	**--**	**5,873**	**5,873**	--	5,572	5,572
Statutory deposit	**--**	**40,000**	**40,000**	--	40,000	40,000
TOTAL SHAREHOLDERS' ASSETS	**288,021**	**112,372**	**400,393**	291,897	106,755	398,652
TOTAL ASSETS	**744,898**	**127,402**	**872,300**	696,537	121,785	818,322

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

23. RISK MANAGEMENT (continued)

f) Liquidity risk *(Continued)*

SR'000	2022 Less than one year SR	2022 More than one year SR	2022 Total SR	2021 Less than one year SR	2021 More than one year SR	2021 Total SR
INSURANCE OPERATIONS' LIABILITIES						
Outstanding claims reserve	**126,893**	**--**	**126,893**	131,242	--	131,242
Claims incurred but not reported	**46,731**	**--**	**46,731**	22,228	--	22,228
Other technical reserves	**7,020**	**--**	**7,020**	6,752	--	6,752
Accounts payable	**2,040**	**--**	**2,040**	1,932	--	1,932
Reinsurance balances payable	**57,644**	**--**	**57,644**	84,999	--	84,999
Due to related parties	**15,877**	**--**	**15,877**	10,006	--	10,006
Accrued expenses and other liabilities	**40,514**	**--**	**40,514**	39,277	--	39,277
TOTAL INSURANCE OPERATIONS' LIABILITIES	**296,719**	**--**	**296,719**	296,436	--	296,436
SHAREHOLDERS' LIABILITIES						
Due to insurance operations				--	--	--
Due to related parties	**413**	**--**	**413**	413	--	413
Accrued and other liabilities	**5,621**	**--**	**5,621**	2,536	--	2,536
TOTAL SHAREHOLDERS' LIABILITIES	**6,034**	**--**	**6,034**	2,949	--	2,949

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.

SR'000	2022 On Demand	Up to 1 year	2-5 years	More than 5 years	Total
INSURANCE OPERATIONS' ASSETS					
Bank balances and cash	**34,254**	**--**	**--**	**--**	**34,254**
Term deposits	**--**	**245,429**	**--**	**--**	**245,429**
Investments	**--**	**--**	**--**	**1,923**	**1,923**
Premiums and insurance balances receivable, net	**--**	**68,306**	**--**	**--**	**68,306**
Due from related parties	**--**	**14**	**--**	**--**	**14**
Due from shareholders' operations	**--**		**--**	**--**	
Reinsurers' share of outstanding claims	**--**	**74,346**	**--**	**--**	**74,346**
Reinsurers' share of claims incurred but not reported	**--**	**9,060**	**--**	**--**	**9,060**
Other assets	**--**	**25,468**	**13,107**	**--**	**38,575**
TOTAL INSURANCE OPERATIONS' ASSETS	**34,254**	**422,623**	**13,107**	**1,923**	**471,907**
SHAREHOLDERS' ASSETS					
Bank balances and cash	**3,189**	**--**	**--**	**--**	**3,189**
Term deposits	**--**	**227,104**	**--**	**--**	**227,104**
Investments	**--**	**53,505**	**66,499**	**--**	**120,004**
Other assets	**--**	**4,223**	**--**	**--**	**4,223**
Accrued commission income on statutory deposit	**--**	**--**	**--**	**5,873**	**5,873**
Statutory deposit	**--**	**--**	**--**	**40,000**	**40,000**
TOTAL SHAREHOLDERS' ASSETS	**3,189**	**284,832**	**66,499**	**45,873**	**400,393**

23. RISK MANAGEMENT (continued)

f) Liquidity risk *(Continued)*

SR’000	***2022*** ***On Demand***	***Up to 1 Year***	***2-5 years***	***More than 5 years***	***Total***
INSURANCE OPERATIONS’ LIABILITIES					
Outstanding claims reserve	**-**	**126,893**	**-**	**-**	**126,893**
Claims incurred but not reported	**-**	**46,731**	**-**	**-**	**46,731**
Other technical reserve	**-**	**7,020**	**-**	**-**	**7,020**
Accounts payables	**-**	**2,040**	**-**	**-**	**2,040**
Reinsurers’ balances payable	**-**	**57,644**	**-**	**-**	**57,644**
Due to related parties	**-**	**15,877**	**-**	**-**	**15,877**
Accrued expenses and other liabilities	**-**	**40,514**	**-**	**-**	**40,514**
TOTAL INSURANCE OPERATIONS’ LIABILITIES	**-**	**296,719**	**-**	**-**	**296,719**
SHAREHOLDERS’ LIABILITIES					
Due to insurance operations					
Due to a related parties	**-**	**413**	**-**	**-**	**413**
Accrued expenses and other liabilities	**-**	**5,621**	**-**	**-**	**5,621**
TOTAL SHAREHOLDERS’ LIABILITIES		**302,753**			**302,753**

SR’000	*2021* *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	--	93,266	--	--	93,266
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	347,970	13,107	1,923	413,552
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

23. RISK MANAGEMENT (continued)

f) Liquidity risk *(Continued)*

SR'000	*2021* 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	--	1,932	--	--	1,932
Reinsurers' balances payable	--	84,999	--	--	84,999
Due to related parties	--	10,006	--	--	10,006
Accrued expenses and other liabilities	--	39,277	--	--	39,277
TOTAL INSURANCE OPERATIONS' LIABILITIES	--	296,436	--	--	296,436
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

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.

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*
2022	**+5%**	**6,000**
	-5%	**(6,000)**
2021	+5%	6,292
	-5%	(6,292)

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					
	December 31, 2022			December 31, 2021		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
ASSETS						
Bank balances and cash	**34,254**	**3,189**	**37,443**	38,414	2,878	41,292
Term deposits	**245,429**	**227,104**	**472,533**	210,285	222,786	433,071
Premiums and reinsurers' receivable, net	**68,306**	**-**	**68,306**	37,575	-	37,575
Reinsurers' share of unearned premiums	**29,727**		**29,727**	25,843	-	25,843
Reinsurers' share of outstanding claims	**74,346**		**74,346**	93.266	-	93.266
Reinsurers' share of claims Incurred but not reported	**9,060**		**9,060**	6,844	-	6,844
Deferred policy acquisition costs	**8,381**	**-**	**8,381**	3,006	-	3,006
Available for sale Investments	**1,923**	**120,004**	**121,927**	1,923	125,843	127,766
Due from related parties	**14**	**-**	**14**	-	-	-
Prepaid expenses and other assets	**38,575**	**4,223**	**42,798**	25,245	1,573	26,818
Deferred tax asset	**-**	**-**	**-**	-	1,206	1,206
Property and equipment	**1,550**		**1,550**	1,695	-	1,695
Intangible assets	**1,772**		**1,772**	3,659	-	3,659
Statutory deposit	**-**	**40,000**	**40,000**	-	40,000	40,000
Accrued commission income on statutory deposit	**-**	**5,873**	**5,873**	-	5,572	5,572
TOTAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION	**513,337**	**400,393**	**913,730**	447,755	399,858	847,613
ASSETS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due from insurance operations	**20,758**	**-**	**20,758**	--	28,588	28,588
TOTAL ASSETS	**534,095**	**400,393**	**934,488**	447,755	428,446	876,201

25. SUPPLEMENTARY INFORMATION (Continued)

A) STATEMENT OF FINANCIAL POSITION *(continued)*

	SR '000					
	December 31, 2022			December 31, 2021		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
LIABILITIES						
Outstanding claims reserve	**126,893**	**-**	**126,893**	131,242	-	131,242
Claims incurred but not reported	**46,731**	**-**	**46,731**	22,228	-	22,228
Other technical reserves	**7,020**	**-**	**7,020**	6,752	-	6,752
Accrued expenses and other liabilities	**40,514**	**5,621**	**46,135**	39,277	2,536	41,813
Reinsurers' balances payable	**57,644**		**57,644**	84,999	-	84,999
Unearned premiums	**216,031**		**216,031**	100,305	-	100,305
Accounts payables	**2,040**	**-**	**2,040**	1,932	-	1,932
Unearned reinsurance commission	**3,346**		**3,346**	2,376	-	2,376
Due to related parties	**15,877**	**413**	**16,290**	10,006	413	10,419
End-of-service benefits	**7,202**		**7,202**	11,106	-	11,106
Zakat and income tax	**-**	**56,331**	**56,331**	-	53,815	53,815
Accrued commission income payable to SAMA	**-**	**5,873**	**5,873**	-	5,572	5,572
Accumulated surplus	**8,175**	**-**	**8,175**	8,223	-	8,223
TOTAL LIABILITIES	**531,473**	**68,238**	**599,711**	418,446	62,336	480,782
EQUITY						
Share capital	**--**	**400,000**	**400,000**	--	400,000	400,000
Statutory reserve	**--**	**1,161**	**1,161**	--	1,161	1,161
Accumulated losses	**--**	**(85,655)**	**(85,655)**	--	(36,880)	(36,880)
Fair value reserve for available for sale investments	**--**	**(4,109)**	**(4,109)**		1,829	1,829
Actuarial reserve for employee benefits	**2,622**	**-**	**2,622**	721	-	721
TOTAL EQUITY	**2,622**	**311,397**	**314,019**	721	366,110	366,831
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY IN THE STATEMENT OF FINANCIAL POSITION	**534,095**	**379,635**	**913,730**	419,167	428,446	847,613
LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION						
Due to insurance operations	**--**	**20,758**	**20,758**	28,588	--	28,588
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND EQUITY	**534,095**	**400,393**	**934,488**	447,755	428,446	876,201

25. SUPPLEMENTARY INFORMATION (Continued)

B) STATEMENT OF INCOME

	SR '000					
	For the year ended December					
	2022			2021		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
REVENUES						
Gross premiums written						
- Direct	**455,162**	--	**455,162**	263,370	--	263,370
- Reinsurance	**367**	--	**367**	267	--	267
	455,529	--	**455,529**	263,637	--	263,637
Reinsurance premiums ceded	**(115,472)**	--	**(115,472)**	(107,309)	--	(107,309)
Excess of loss premium	**(12,493)**	--	**(12,493)**	(6,880)	--	(6,880)
Net premiums written	**327,564**	--	**327,564**	149,448	--	149,448
Changes in unearned premiums	**(115,726)**	--	**(115,726)**	(39,373)	--	(39,373)
Changes in reinsurers' share of unearned premium	**3,884**	--	**3,884**	(16,398)	--	(16,398)
Net premiums earned	**215,722**	--	**215,722**	93,677	--	93,677
Reinsurance commissions	**11,321**	--	**11,321**	16,204	--	16,204
TOTAL REVENUES	**227,043**	--	**227,043**	109,881	--	109,881
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(217,941)**	--	**(217,941)**	(83,589)	--	(83,589)
Reinsurers' share of claims paid	**61,659**	--	**61,659**	38,837	--	38,837
Net claims and other benefits paid	**(156,282)**	--	**(156,282)**	(44,752)	--	(44,752)
Changes in outstanding claims	**4,349**	--	**4,349**	(57,146)	--	(57,146)
Changes in reinsurers' share of outstanding claims	**(18,920)**	--	**(18,920)**	32,970	--	32,970
Changes in IBNR, net	**(22,287)**	--	**(22,287)**	7,277	--	7,277
Other technical reserves	**(268)**	--	**(268)**	(1,184)	--	(1,184)
Net claims incurred	**(193,408)**	--	**(193,408)**	(62,835)	--	(62,835)
Policy acquisition costs	**(20,406)**	--	**(20,406)**	(10,217)	--	(10,217)
Other underwriting expenses	**(27,770)**	--	**(27,770)**	(19,947)	--	(19,947)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(241,584)**	--	**(241,584)**	(92,999)	--	(92,999)
		--				
NET UNDERWRITING INCOME	**(14,541)**	--	**(14,541)**	16,882	--	16,882

25. SUPPLEMENTARY INFORMATION (Continued)

B) STATEMENT OF INCOME *(Continued)*

	SR '000					
	For the year ended December					
	----------- 2022 -----------			----------- 2021 ------------		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
OTHER OPERATING (EXPENSES)/ INCOME						
Allowance for doubtful debts	**(2,084)**		**(2,084)**	(906)	-	(906)
General and administrative expenses	**(55,074)**	**(1,455)**	**(56,529)**	(55,136)	(1,455)	(56,591)
Investment income on term deposits	**4,155**	**4,446**	**8,601**	1,096	1,533	2,629
Investment income on bonds and sukuks	**-**	**3,519**	**3,519**	-	3,669	3,669
Other income	**17,964**	-	**17,964**	6,654	-	6,654
TOTAL OTHER OPERATING (EXPENSES)	**(35,039)**	**6,510**	**(28,529)**	(48,292)	3,747	(44,545)
TOTAL (LOSS) / INCOME FOR THE YEAR	**(49,580)**	**6,510**	**(43,070)**	(31,410)	3,747	(27,663)
Total income for the year attributed to the insurance operations				-	-	-
Shareholders' absorption of deficit/ (Surplus transferred to Shareholders)	**49,580**	**(49,580)**	**-**	31,410	(31,410)	--
TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**-**	**(43,070)**	**(43,070)**	-	(27,663)	(27,663)
ZAKAT CHARGE FOR THE YEAR	**-**	**(5,430)**	**(5,430)**	-	(7,848)	(7,848)
TAX CHARGE FOR THE YEAR		**(275)**	**(275)**	-	134	134
	-	**(48,775)**	**(48,775)**	-	(35,377)	(35,377)
Loss per share (Expressed in SR per share)						
Basic and diluted loss per share		**(1.22)**	**(1.22)**	--	(0.88)	(0.88)

C) STATEMENT OF COMPREHENSIVE INCOME

	SR '000					
	For the year ended December					
	----------- 2022------------			----------- 2021 -----------		
	Insurance operations	**Shareholders operations**	**Total**	Insurance operations	Shareholders operations	Total
Total loss for the year	**-**	**(48,775)**	**(48,775)**	-	(35,377)	(35,377)
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	**-**	**(5,938)**	**(5,938)**	-	(1,939)	(1,939)
*-**Items that will not be reclassified to statement of income in subsequent periods***						
Remeasurement gain on end-of-service benefits	**-**	**1,901**	**1,901**	-	466	466
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**-**	**(52,812)**	**(52,812)**	-	(36,850)	(36,850)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO INSURANCE OPERATIONS	**-**	**-**	**-**	-	-	-
NET COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	**-**	**(52,812)**	**(52,812)**	-	(36,850)	(36,850)

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 (Loss)/Income for the year before zakat and income tax		**(43,070)**	**(43,070)**	--	(27,663)	(27,663)
Adjustments for non-cash items:						
Depreciation of property and equipment	**1,232**	**--**	**1,232**	1,982	--	1,982
Amortization of intangible assets	**1,979**	**--**	**1,979**	943		943
Amortizations of investments	**--**	**568**	**568**	--	311	311
Allowance for provisions for impairment of receivables	**2,084**	**--**	**2,084**	906	--	906
Provision for end-of-service benefits	**1,064**	**--**	**1,064**	2,018	--	2,018
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	**(32,815)**	**--**	**(32,815)**	(2,429)	--	(2,429)
Reinsurers' share of unearned premiums	**(3,884)**	**--**	**(3,884)**	16,398	--	16,398
Reinsurers' share of outstanding claims	**18,920**	**--**	**18,920**	(39,088)	--	(39,088)
Reinsurers' share of claims Incurred but not reported	**(2,216)**	**--**	**(2,216)**	(3,458)	--	(3,458)
Deferred policy acquisition costs	**(5,375)**	**--**	**(5,375)**	(479)	--	(479)
Due from related parties	**(14)**	**--**	**(14)**	734	--	734
Prepaid expenses and other assets	**(13,330)**	**(2,650)**	**(15,980)**	(14,687)	(184)	(14,871)
Accrued income from statutory deposits	**--**	**(301)**	**(301)**	--	(275)	(275)
Accounts payables	**108**	**--**	**108**	(2,637)	--	(2,637)
Accrued expenses and other liabilities	**1,237**	**3,085**	**4,322**	5,929	(1,995)	3,934
Reinsurers' balances payable	**(27,355)**	**--**	**(27,355)**	17,069	--	17,069
Unearned premiums	**115,726**	**--**	**115,726**	39,373	--	39,373
Unearned reinsurance commission	**970**	**--**	**970**	(4,792)	--	(4,792)
Outstanding claims reserve	**(4,349)**	**--**	**(4,349)**	57,146	--	57,146
Claims incurred but not reported	**24,503**	**--**	**24,503**	(3,819)	--	(3,819)
Other technical reserves	**268**	**--**	**268**	1,184	--	1,184
Accrued commission income payable to SAMA		**301**	**301**	--	275	275
Due to related parties	**5,871**	**--**	**5,871**	6,656	--	6,656
	84,624	**(42,067)**	**42,557**	78,949	(29,531)	49,418
Zakat and income tax paid	**--**	**(1,983)**	**(1,983)**	--	(4,949)	(4,949)
End-of-service benefits paid	**(3,067)**	**--**	**(3,067)**	(1,159)	--	(1,159)
Surplus paid to policy holders	**(48)**	**--**	**(48)**	(181)	--	(181)
Net cash generated from operating activities	**81,509**	**(44,050)**	**37,459**	77,609	(34,480)	43,129
CASH FLOWS FROM INVESTING						
Disposals / additions in available for sale investments, net	**--**	**(667)**	**(667)**			-
Disposals / additions in term deposits, net	**(35,144)**	**(4,318)**	**(39,462)**	(19,440)	(2,616)	(22,056)
Additions in intangible assets	**(92)**	**--**	**(92)**	(1,225)	--	(1,225)
Additions in property and equipment	**(1,087)**	**--**	**(1,087)**	(1,612)	--	(1,612)
Net cash generated (used in)/from investing activities	**(36,323)**	**(4,985)**	**(41,308)**	(22,277)	(2,616)	(24,893)
Net change in cash and cash equivalents	**45,186**	**(49,035)**	**(3,849)**	55,332	(37,096)	18,236
Cash and cash equivalents, beginning of the year	**38,414**	**2,878**	**41,292**	20,174	2,182	22,356
Due from/ (to) insurance operations	**(49,346)**	**49,346**	**--**	(37,792)	37,792	--
Cash and cash equivalents, end of the year	**34,254**	**3,189**	**37,443**	37,714	2,878	40,592

26. COMPARTIVE FIGURES

Claim payment which had previously been included in reinsurance share of outstanding claims, are now included in reinsurance balance payable. The change, mainly disclosed in note 9.1, was made to reflect correct classification between reinsurance balances. Accordingly, the previously reported amounts in the financial statements for the year ended 31 December 2021 have been reclassified to conform to the current year presentation.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statement have been approved by the Board of Directors on 15 March 2023, corresponding to 23 Shaban 1444.