CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

KPMG Professional Services

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Chubb Arabia Cooperative Insurance Company

Opinion

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

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

Basis for Opinion

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

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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.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders of Chubb Arabia Cooperative Insurance Company

Key Audit Matter (continued)

Key audit matter	How the matter was addressed in our audit
<u>Valuation of ultimate claim liability arising from insurance contracts:</u> As at 31 December 2021, the gross outstanding claims including claims Incurred but Not Reported (IBNR) and other technical reserves amounted to SR 132.7 million (2020: SR 102.7 million) as reported in Note 9 of the financial statements. The valuation of ultimate insurance contract liabilities is the key judgmental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred for which the ultimate outcome remains uncertain. The Company uses a range of actuarial methodologies to estimate these claims. This requires significant judgments relating to factors and assumptions such as inflation, claims development pattern and regulatory requirements. Due to significance of amount involved and the exercise of significant judgment by management in the process for determination of ultimate insurance contract liabilities, we have determined it to be a key audit matter. *Refer to note 2 (e)(i) which disclosed the key estimates and assumptions in relation to ultimate liability arising from claims under insurance contracts and note 3 which discloses accounting policies for claims.*	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claim estimates recorded; • On a sample basis, we tested the measurement of claims reserves on a case-by-case basis by comparing the outstanding claims to source documentation; • We evaluated the competence, capabilities and objectivity of the management's expert based in their professional qualifications and experiences and assessed their independence; • We engaged our internal expert to assess the methodologies and assumptions used by the management in determining the reserves for incurred but not reported claims. We have also reviewed the actuarial reserve report issued by the independent 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 party disclosures.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders
Chubb Arabia Cooperative Insurance Company

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and 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, i.e. Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

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

KPMG

KPMG Professional Services

INDEPENDENT AUDITORS' REPORT (Continued)

To the Shareholders
Chubb Arabia Cooperative Insurance Company

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

- 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

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

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

Al-Bassam & Co.
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Kingdom of Saudi Arabia

Ibrahim Ahmed Al Bassam
Certified Public Accountant
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KPMG Professional Services

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CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents	5	**186,043,885**	135,793,642
Premiums and reinsurance balances receivable – net	8	**151,583,164**	134,980,791
Reinsurers' share of unearned premiums	9.2	**102,701,355**	100,063,940
Reinsurers' share of outstanding claims	9.1	**48,128,358**	41,858,691
Reinsurers' share of claims incurred but not reported	9.1	**48,309,514**	29,724,574
Deferred policy acquisition costs	9.3	**6,429,477**	5,630,498
Investments held for trading	7a	**102,150,678**	101,641,429
Investments available for sale	7a	**1,932,078**	1,932,078
Prepaid expenses and other assets	11	**23,397,934**	15,395,789
Term deposits	6	**57,236,755**	124,348,532
Property and equipment	13	**2,323,765**	906,441
Right-of use assets	14	**-**	1,078,499
Intangible asset	12	**2,798,598**	537,919
Goodwill	16	**43,774,750**	43,774,750
Statutory deposit	15	**30,000,000**	20,000,000
Accrued income on statutory deposit	15	**2,406,669**	2,216,249
TOTAL ASSETS		**809,216,980**	759,883,822

Emad Alkhateeb	**Kamran Mazhar**	**Abdulaziz Elkhereiji**
Chief Financial Officer	Chief Executive Officer	Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
LIABILITIES			
Accounts payable		**41,043,098**	24,539,616
Accrued and other liabilities	19	**12,751,559**	20,116,469
Lease liabilities	20	**-**	1,118,664
Surplus distribution payable	21	**2,180,026**	5,005,180
Reinsurers' balances payable	18	**85,044,497**	86,038,909
Unearned premiums	9.2	**137,001,880**	130,833,967
Unearned reinsurance commission	17	**9,130,990**	8,340,689
Outstanding claims	9.1	**60,486,403**	51,295,966
Claims incurred but not reported	9.1	**64,178,785**	41,874,437
Additional premium reserves	9.1	**2,824,722**	5,629,118
Other technical reserves	9.1	**5,193,211**	3,882,539
End-of-service indemnities	22	**10,968,262**	9,336,979
Zakat and income tax	26	**19,305,244**	19,536,736
Accrued commission income payable to SAMA	15	**2,406,669**	2,216,249
TOTAL LIABILITIES		**452,515,346**	409,765,518
TOTAL EQUITY			
Share capital	27	**300,000,000**	200,000,000
Statutory reserve	28	**39,927,701**	38,495,248
Retained earnings		**19,936,815**	114,207,005
Re-measurement reserve on end-of-service indemnities		**(3,162,882)**	(2,583,949)
TOTAL EQUITY		**356,701,634**	350,118,304
TOTAL LIABILITIES AND EQUITY		**809,216,980**	759,883,822
COMMITMENTS AND CONTINGENCIES	31		

Emad Alkhateeb	**Kamran Mazhar**	**Abdulaziz Elkhereiji**
Chief Financial Officer	Chief Executive Officer	Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
REVENUES			
Gross premiums written	9.2, 30	**290,581,787**	274,663,053
Less: Reinsurance premiums ceded			
Local		**(8,927,983)**	(8,036,444)
Foreign		**(173,056,337)**	(173,196,833)
Excess of loss expenses		**(5,610,667)**	(4,090,828)
Net premiums written		**102,986,800**	89,338,948
Changes in unearned premiums		**(6,167,913)**	(29,806,006)
Changes in reinsurers' share of unearned premiums		**2,637,415**	25,867,061
Net premiums earned		**99,456,302**	85,400,003
Reinsurance commission income	17	**25,818,077**	22,967,031
NET REVENUES		**125,274,379**	108,367,034
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**(88,676,479)**	(39,476,065)
Expenses incurred related to claims		**(1,859,719)**	(2,782,993)
Reinsurers' share of gross claims paid		**44,409,144**	13,826,139
Net claims and other benefits paid		**(46,127,054)**	(28,432,919)
Changes in outstanding claims		**(9,190,437)**	(2,293,347)
Changes in reinsurers' share of outstanding claims		**6,269,667**	4,691,453
Changes in claims incurred but not reported		**(22,304,348)**	16,393,270
Changes in reinsurers' share of claims incurred but not reported		**18,584,940**	(8,905,035)
Net claims and other benefits incurred		**(52,767,232)**	(18,546,578)
Additional premium reserves		**2,804,396**	(2,540,473)
Other technical reserves		**(1,310,672)**	(2,081,475)
Policy acquisition costs	9.3	**(16,518,956)**	(15,981,922)
Other underwriting expenses		**(5,243,518)**	(3,894,512)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(73,035,982)**	(43,044,960)
NET UNDERWRITING INCOME		**52,238,397**	65,322,074

Emad Alkhateeb Chief Financial Officer	**Kamran Mazhar** Chief Executive Officer	**Abdulaziz Elkhereiji** Board Member

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CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
OTHER (EXPENSES) / INCOME			
Reversal for impairment of doubtful debts	8	**789,398**	2,469,910
General and administrative expenses	24	**(42,572,755)**	(40,157,535)
Dividend, interest and commission income	25	**5,792,066**	7,544,861
Realised gains / (losses) on disposal of investments held for trading	7	**7,099**	(233,898)
Unrealised (losses) / gains on investments held for trading	7	**(1,865,714)**	1,689,319
Other income, net	11.1	**928,503**	4,169,439
TOTAL OTHER EXPENSES		**(36,921,403)**	(24,517,904)
Income before surplus, zakat and income tax		**15,316,994**	40,804,170
Income attributed to insurance operations		**(1,781,366)**	(3,981,949)
Income attributed to the shareholders' before zakat and income tax		**13,535,628**	36,822,221
Zakat charge	26	**(5,638,068)**	(4,596,805)
Income tax charge	26	**(735,297)**	(1,937,429)
Net income attributed to shareholders		**7,162,263**	30,287,987
Earnings per share (expressed in SAR per share)			
Basic and diluted earnings per share	29	**0.24**	1.01
Weighted average number of outstanding shares	27	**30,000,000**	30,000,000

Emad Alkhateeb	**Kamran Mazhar**	**Abdulaziz Elkhereiji**
Chief Financial Officer	Chief Executive Officer	Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
Total income for the year		**8,943,629**	34,269,936
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income			
Actuarial losses on end-of-service indemnities	22	**(578,933)**	(737,644)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,364,696**	33,532,292
Net comprehensive income attributed to the insurance operations		**(1,202,433)**	(3,244,305)
Net comprehensive income attributable to the shareholders		**7,162,263**	30,287,987

Emad Alkhateeb	**Kamran Mazhar**	**Abdulaziz Elkhereiji**
Chief Financial Officer	Chief Executive Officer	Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Re-measurement reserve on end-of-service indemnities	Total equity
Balance at 1 January 2021	**200,000,000**	**38,495,248**	**114,207,005**	**(2,583,949)**	**350,118,304**
Total comprehensive income for the year					
Net income for the year attributable to shareholders	-	-	**7,162,263**	-	**7,162,263**
Actuarial losses on end of service indemnities	-	-	-	**(578,933)**	**(578,933)**
Total comprehensive income for the year	-	-	**7,162,263**	**(578,933)**	**6,583,330**
Additional capital through bonus shares (note 27)	**100,000,000**	-	**(100,000,000)**	-	-
Transfer to statutory reserve	-	**1,432,453**	**(1,432,453)**	-	-
Balance at 31 December 2021	**300,000,000**	**39,927,701**	**19,936,815**	**(3,162,882)**	**356,701,634**
Balance at 1 January 2020	200,000,000	32,437,651	89,976,615	(1,846,305)	320,567,961
Total comprehensive income for the year					
Net income for the year attributable to shareholders	-	-	30,287,987	-	30,287,987
Actuarial losses on end of service indemnities	-	-	-	(737,644)	(737,644)
Total comprehensive income for the year	-	-	30,287,987	(737,644)	29,550,343
Transfer to statutory reserve	-	6,057,597	(6,057,597)	-	-
Balance at 31 December 2020	200,000,000	38,495,248	114,207,005	(2,583,949)	350,118,304

Emad Alkhateeb Chief Financial Officer	**Kamran Mazhar** Chief Executive Officer	**Abdulaziz Elkhereiji** Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
Cash flows from operating activities			
Net income before zakat and income tax for the year		**15,316,994**	40,804,170
Adjustments for:			
Depreciation on property and equipment	13	**419,464**	223,731
Depreciation on right-of-use-assets	14	**1,078,499**	1,078,500
Amortization of intangible asset	12	**254,569**	262,070
Gain on sale of property and equipment		**(4,000)**	(85,370)
Reversal of allowance for doubtful debts	8	**(789,398)**	(2,469,910)
Unrealised losses / (gains) on investments held for trading	7c	**1,865,714**	(1,689,319)
Realised (gains) / losses on investments held for trading	7c	**(7,099)**	233,898
Interest on lease liabilities	20	**3,563**	45,436
Provision for end-of-service indemnities	22	**1,445,390**	1,414,140
		19,583,696	39,817,346
Changes in:			
Premiums and insurance balances receivable	8	**(15,812,975)**	(30,365,939)
Reinsurers' share of unearned premiums	9	**(2,637,415)**	(25,867,061)
Reinsurers' share of outstanding claims	9	**(6,269,667)**	(4,691,453)
Reinsurers' share of claims incurred but not reported	9	**(18,584,940)**	8,905,035
Deferred policy acquisition costs	9	**(798,979)**	(306,821)
Prepaid expenses and other assets	11	**(8,002,145)**	1,457,860
Accounts payable		**16,503,482**	2,393,455
Accrued and other liabilities	19	**(7,364,910)**	8,161,555
Reinsurers' balances payable	18	**(994,412)**	21,231,441
Unearned premiums	9	**6,167,913**	29,806,006
Unearned reinsurance commission	17	**790,301**	(511,180)
Outstanding claims	9	**9,190,437**	2,293,347
Claims incurred but not reported	9	**22,304,348**	(16,393,270)
Additional premium reserves	9	**(2,804,396)**	2,540,473
Other technical reserves	9	**1,310,672**	2,081,475
Cash generated from operating activities		**12,581,010**	40,552,269
Surplus paid to policyholders		**(4,606,520)**	(8,161,440)
Zakat and income tax paid	26	**(6,604,857)**	(3,498,694)
End-of-service indemnities paid	22	**(393,040)**	(1,225,535)
Net cash from operating activities		**976,593**	27,666,600

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Emad Alkhateeb	**Kamran Mazhar**	**Abdulaziz Elkhereiji**
Chief Financial Officer	Chief Executive Officer	Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

CHUBB ARABIA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS (COUNTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Notes	2021	2020
Cash flows from investing activities			
Purchase of investments held for trading	7	**(20,551,547)**	(26,790,429)
Proceeds from disposal of investments held for trading	7	**18,183,683**	23,111,117
Proceeds from long term deposits	6	**67,111,777**	7,733,241
Proceeds from disposal of property and equipment		**4,000**	85,370
Purchase of property and equipment	13	**(1,836,788)**	(541,038)
Purchase of intangible asset	12	**(2,515,248)**	-
Net cash generated from investing activities		**60,395,877**	3,598,261
Cash flows from financing activities			
Statutory deposit		**(10,000,000)**	-
Payment under lease liabilities		**(1,122,227)**	(1,122,227)
Net cash used in financing activities		**(11,122,227)**	(1,122,227)
Net increase in cash and cash equivalents		**50,250,243**	30,142,634
Cash and cash equivalents at 1 January	5	**135,793,642**	105,651,008
Cash and cash equivalents at 31 December	5	**186,043,885**	135,793,642
NON-CASH TRANSACTIONS:			
Re-measurement reserve of end of service indemnities		**(578,933)**	(737,644)
Additional capital through bonus shares		**100,000,000**	-

Emad Alkhateeb Chief Financial Officer	**Kamran Mazhar** Chief Executive Officer	**Abdulaziz Elkhereiji** Board Member

The accompanying notes 1 to 38 form an integral part of these financial statements.

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

CHUBB Arabia Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company registered on 21 July 2009 (corresponding to 28 Rajab 1430H) under commercial registration number 2050066029 which was later amended to 2051043431 dated 21 July 2010 (corresponding to 9 Sha'aban 1431H), issued in Al-Khobar, Kingdom of Saudi Arabia. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 11 October 2006 (corresponding to 18 Ramadan 1427H), pursuant to Council of Ministers resolution number 233 dated 9 October 2006 (corresponding to 16 Ramadan 1427H).

The activities of the Company are to transact cooperative insurance 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 8 December 2009 (corresponding to 21 Dhul-Hijjah, 1430H), the Company received the license from Saudi Central Bank ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia. Its principal lines of business include property, engineering, motor and casualty insurance.

Surplus from insurance operations is distributed in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The registered address of the Company's head office is as follows P.O Box 2685 Al Khobar 31952, Kingdom of Saudi Arabia.

The Company's principal place of business is in Al-Khobar, Kingdom of Saudi Arabia. Furthermore, the Company operates through various branches located in the Kingdom of Saudi Arabia with the following commercial registration numbers:

No	Branch name	Location	Commercial Registration Number
1	Regional Branch	Al Khobar	2051043431
2	Regional Branch	Jeddah	4030233953
3	Regional Branch	Riyadh	1010310552

Asset purchase agreement and transfer of insurance portfolio

The Company started its insurance operations on 1 February 2010. The Company acquired the insurance portfolio and the net assets of Ace Arabia Insurance Company BSC and International Insurance Company BSC with effect from 1 January 2009 as set forth in SAMA's guidelines in this respect, following the approval on the transfer from the respective authorities in 2012.

2. BASIS OF PREPARATION

(a) Basis of presentation and measurement

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Regulations for Companies in the Kingdom of Saudi Arabia.

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 non-current: available for sale investments, right-of-use assets, property and equipment, intangible asset, goodwill, statutory deposit, accrued income on statutory deposit, provision for end-of-service indemnities, lease liabilities, certain engineering related unearned premiums, reinsurance share of unearned premiums, reinsurance unearned commission, deferred policy acquisition cost and accrued commission income payable to SAMA. All other financial statement line items would generally be classified as current unless, stated otherwise.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance operations and Shareholders' operations and presents the financial statements accordingly under note 36. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented under note 36 to the financial statements have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. 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 to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investments held for trading and investments available for sale, end of service indemnities which is recognized at the present value of future obligation using the projected unit credit method.

(b) Functional and presentation currency

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

(c) Fiscal year

The Company follows a fiscal year ending 31 December.

(d) Seasonality of operations

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

2. BASIS OF PREPARATION (CONTINUED)

(e) Critical accounting judgements estimates and assumptions

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

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020. Following are the key accounting judgements and estimates that are critical in preparation of these financial statements:

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 the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting year both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting year, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is the Company's past claims settlement experience can be used to project future claims settlement and hence ultimate claims costs. As such, these methods extrapolate the settlement of paid and incurred losses, average costs per claim and claim numbers based on the observed settlement of earlier years and expected loss ratios. Historical claims settlement is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

2. BASIS OF PREPARATION (CONTINUED)

(e) Critical accounting judgements estimates and assumptions (continued)

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

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future settlement. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' settlement data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

ii. Impairment of financial assets

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

iii. Fair value of financial instruments

Fair values of available-for-sale investment and investment held for trading are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

2. BASIS OF PREPARATION (CONTINUED)

(e) Critical accounting judgements estimates and assumptions (continued)

iv. Impairment losses on premium and reinsurance receivables

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 judgement. In making this judgement, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

v. Deferred policy acquisition costs ("DAC")

Certain acquisition costs related to the sale of policies are recorded as DAC and are amortized in the statement of income over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment/write-offs in the statement of income.

vi. Useful life of property and equipment, intangible assets and right of use assets

The Company's management determines the estimated useful lives of its property and equipment, intangible assets and right of use assets before calculating depreciation / amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation / amortisation charges would be adjusted where the management believes the useful lives differ from previous estimates.

vii. Goodwill impairment testing

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

viii. Zakat and income tax

The Company is subject to Zakat in accordance with the Zakat, Tax and Customs Authority ("the ZATCA") regulations. Zakat and income tax is provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgement of the Zakat rules and regulations to assess the impact of Zakat liability at a particular year end. This liability is considered as an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat liability. Tax on the profit or loss for the year comprises current tax. Tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

ix. End of service indemnities

The cost of end of service indemnities and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, an end of service indemnities is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate.

2. BASIS OF PREPARATION (CONTINUED)

(f) Critical accounting judgements estimates and assumptions (continued)

ix. End of service indemnities (continued)

In determining the appropriate discount rate, yield and duration of Saudi sovereign bonds obligation with at least an ‘A’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the end of service indemnities is considered.

The rates assumed are based on the WHO Ultimate mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of end of service benefits (EOSB) schemes. If any other mortality table is used it will not make any significant difference in the results.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented except for the adoption of the amendments to existing standards as explained below in 4(a):

i. Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable of the insured event did not occur. Insurance contracts can also transfer financial risk.

ii. Investment contracts

Investment contracts are those contracts that transfer significant financial risk but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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 year, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

iii. Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv. Property and equipment

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

Category	No. of years
Leasehold improvements	5
Furniture, fixtures and office equipment	4 – 10
Motor vehicles	4

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

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

v. Intangible asset

Intangible asset is initially recorded at cost and is carried at cost less accumulated amortisation and any accumulated impairment losses. The intangible asset comprises of software and related implementation costs. All these costs relating to the software package are deferred and amortized using the straight-line method over a period of five years. The amortization expense on intangible asset is recognised in the statement of income.

vi. Policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

vii. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments comprise financial assets and financial liabilities.

The Company's financial assets include cash and cash equivalents, short term deposits, term deposits, investments held for trading, investments available for sale, premiums and insurance balances receivable, reinsurer's share of outstanding claims, amounts due from policyholder/broker/related parties, amounts due from shareholders and other assets. Its financial liabilities consist of outstanding claims, reinsurance balances payable, accounts payable, amounts due to related parties, amounts due to shareholders' operations, statutory deposit commission income payable, accrued expenses and other liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

viii. Fair values measurement

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

ix. Trade date accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. Investments

All investments, excluding those held at fair value through statement of income (if any), are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the Investments.

Investments held for trading
Investments which are bought with the intention of resale in the short term are classified as trading investments. Such investments are measured and carried in the financial position at fair value. Unrealised gains and losses are included in the statement of income for the financial year.

Investments available for sale
These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of comprehensive income. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognized in the statement of income.

Determination of fair values of investments
For investments traded in active markets, fair value is determined by reference to quoted market bid prices. For unquoted equity investments, fair value is determined by reference to the market value of similar investments or is based on the expected discounted cash flows and other relevant factors. Cost is considered to be the fair value where there is no reliable fair value information is available for such investments.

Where partial holdings are sold, the related carrying values of such investments are accounted for on a weighted average basis.

xi. De-recognition

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

The rights to receive cash flows from the asset have expired, or

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.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xii. Impairment of financial assets

Financial assets carried at amortized cost

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

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

Available-for-sale investments

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

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

Financial assets carried at cost

Impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

xiii. Offsetting financial assets and liabilities

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

xiv. Premiums and reinsurance receivable

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

xv. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xvi. Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for services received, whether or not billed to the Company.

xvii. Impairment of non-financial assets

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

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

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

Impairment losses are recognised in the statement of income.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. The Company performs its annual impairment test of goodwill as at 31 December.

The recoverable amount of the non-life insurance business CGU has been determined based on a value in use calculation. The calculation requires the Company to make an estimate of the expected future cash flows from each of the CGUs and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

Previously recorded impairment losses for goodwill are not reversed in future periods.

xviii. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xix. Revenue recognition

Premium and reinsurance commissions

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

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

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

Commission income

Commission income is recognised in the statement of income as it accrues and is calculated by using the EIR method. Fees and commission that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends and is recognised when the right to receive payment is established.

xx. Claims

Gross claims consist of benefits and claims paid to policyholders and third parties, and related loss adjustor expenses, net of salvage and other recoveries and are charged to the statement of income as incurred changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not.

Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income of that year.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxi. Reinsurance claims

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

xxii. Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The Company's reinsurance program is affected through proportional, non-proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks.

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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

Premium and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

xxiii. Deferred policy acquisition costs ("DAC")

Those direct and indirect costs incurred during the financial year arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition DAC is amortised over the period in which the related revenue is earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset 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 an accounting estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxiii. Deferred policy acquisition costs ("DAC") (continued)

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC is also considered in the liability adequacy test for each reporting year. DAC is derecognised when the related contracts are either settled or disposed of.

xxiv. Salvage and subrogation reimbursement

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

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

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

xxv. Unearned reinsurance commission income

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable. Amortisation is recorded in the statement of income.

xxvi. Insurance contract liabilities

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

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

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

xxvii. Statutory reserve

In accordance with the Law on Supervision of Cooperative Insurance Companies and the by-laws of the Company, the Company shall set aside 20% of shareholders' net income in each year to the statutory reserve until it has built up a reserve equal to the share capital. This reserve is not available for dividend distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxviii. Liability adequacy test

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

xxix. End-of-service indemnities

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company primarily has end of service indemnities, which qualify as defined benefit plans. Accruals to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting year. Re-measurements, comprising actuarial gains and losses and the effect of the changes to the asset ceiling (if applicable), is reflected immediately in the statement of financial position with a charge or credit recognised in the comprehensive income in the year in which they occur. Re-measurement recognised in the statement of comprehensive income is reflected as a reserve in statement of equity and will not be reclassified to statement of income. Past service cost is recognised in statement of income in the year of a plan amendment.

xxx. Foreign currency translation

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.

xxxi. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at banks and time deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxxii. Zakat and taxes

Zakat and tax is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("the ZATCA") in the Kingdom of Saudi Arabia. Zakat and income tax provision is charged to the statement of income. Zakat is computed on the Saudi shareholder's share of the Zakat base, while income tax is calculated on the foreign shareholder's share of adjusted net income. Income tax is charged to the statement of income. The Company is settling the Zakat and income tax annually to ZATCA.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the KSA, including dividend payments to the non-resident shareholders, as required under Saudi Arabian Income Tax Law.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

xxxiii. Dividend distribution

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

xxxiv. Mudaraba / Murabaha deposits

Mudaraba / Murabaha deposits, with original maturity of more than three months, having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at Amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

xxxv. Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxxvi. Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenue and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on their products and services and has five reportable operating segments as follows:

- Property insurance, which covers fire and allied perils, property all risks.
- Engineering, which provides coverage against the Contractors' All Risks (CAR), Erection All Risks (EAR), Machinery All Risks (MAR), etc.
- Motor insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel, general third-party liability and professional indemnity.
- Other classes cover any other classes of insurance not included above. Shareholders' operations of the Company are shown as unallocated operation in operating segments.

Segments performance is evaluated based on profit or loss which in certain aspects is measured differently from profit and loss in the financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity.

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

xxxvii. Leases

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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

xxxviii. Leases (continued)

- 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.

xxxix. Right of use assets

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

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

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. a) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior years. Following provides a summary of new standards and amendments that are effective for the first time for years commencing on 1 January 2021 (i.e. years ended 31 December 2021).

Title	Key requirement		Effective Date
IAS 39. IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – phase 2	January 01, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 related rent Concessions	April 01, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

4. b) STANDARD ISSUED BUT NOT YET EFFECTIVE

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting year beginning on 1 January 2021 and is currently assessing their impact:

i) IFRS 17 – Insurance Contracts

Overview

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

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

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

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

Measurement

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

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

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;

The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in statement of income immediately.

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in statement of income. 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 statement of income based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

4. b) STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

i) IFRS 17 – Insurance Contracts (continued)

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

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

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

Effective date

The effective date of IFRS 17 is currently 1 January 2023 and will supersede IFRS 4 "Insurance Contracts". Earlier adoption is permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

Transition

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

Presentation and Disclosures

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

Impact

The Company has performed an operational gap assessment which has focused on the impact of IFRS 17 across data, systems, processes and people. The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company.

Impact Area	Summary of Impact
Financial Impact	Based on the initial assessment, the majority of Company's products (which provide cover for annual periods or less) are expected to be measured using the simplified approach (PAA) which requires less changes to the existing approach under IFRS 4. As a result, the financial impact of measuring contracts under IFRS 17 is not expected to be significant.
Data Impact	Where the GMM is applied to measure the Liability for Remaining Coverage, additional data to inform the assumptions made will be required to generate cash-flow models. Yield curves and other financial market information will also be required to determine suitable discount rates and the credit risk of reinsurers.

4. b. STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

i) IFRS 17 – Insurance Contracts (continued)

Impact (continued)

IT Systems	Cash-flow models will be required to cater for the calculation of the Liability for Remaining Coverage. In addition, model development will be required to allow for the calculation, updating and amortization of the Contractual Service Margin. Amendments will also be required to the current chart of accounts and reporting disclosures.
Process Impact	A process will need to be established to assess the expected profitability of contracts issued, at the issuing date. Cost allocation processes will need refinement to ensure directly attributable costs are identified according to the requirements of IFRS 17 and are then used as part of cash flow projections. The financial statement close process will also require changes to allow for more frequent interaction between the finance and actuarial teams.
Impact on RI Arrangements	IFRS 17 is not expected to significantly impact the structure of the reinsurance arrangements currently in place for the Company. It is however expected that further insight into the expected (and subsequently actual) performance of reinsurance treaties will be derived under IFRS 17.
Impact on Policies & Control Frameworks	Various decisions need to be made and policies drafted which cover the below (amongst other items): • Allocating directly attributable expenses • Onerous contract identification and measurement • Risk adjustment

The Company has started with a detailed data gap assessment as well as the development of an implementation plan which considers the key IFRS 17 design principles. In addition, the Company has set up an IFRS 17 Steering Committee.

ii) IFRS 9 – Financial Instruments

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

Classification and measurement:

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

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

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

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

Assets not meeting either of these categories are measured at fair value through statement of income. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through statement of income if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in statement of income.

4. b. STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

ii) IFRS 9 – Financial Instruments (continued)

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

Impairment:

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

Hedge accounting:

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

Effective date:

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

The amendments introduce two alternative options:

1. apply a temporary exemption from implementing IFRS 9 until the earlier of
   a) the effective date of a new insurance contract standard; or
   b) annual reporting years beginning on or after 1 January 2023. On 17 March 2020, the International Accounting Standards Board ("IASB") decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from 1 January 2021 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or;
2. adopt IFRS 9 but, for designated financial assets, remove from statement of income the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning January 1, 2018: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. The Company's total liabilities were SAR 409.8 million and liabilities connected with insurance in the statement of financial position primarily included the liabilities arising in the course of writing insurance business and were valued at SAR 327.9 million. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

(All amounts expressed in Saudi Riyals unless otherwise stated)

4. b. STANDARD ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

ii) IFRS 9 – Financial Instruments (continued)

As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SAR 592.7 million (2020: SAR 575.9 million) and SAR 357.2 million (2020: SAR 312.3 million), respectively. Currently, financial assets held at amortized cost consist of loans and receivable (cash and cash equivalents, terms deposit, premiums and reinsurance balances receivable and certain other receivables) amounting to SAR 454.8 million (2020: SAR 472.3 million). Financial assets held at amortized cost are expected to meet the SPPI test as required by IFRS 9 and the Company expects to measure such assets at amortized cost. Financial assets includes available for sale investment amounting to SAR 1.9 million (2020: SAR 1.9 million), the Company expect to use the FVOCI classification of financial assets based on the business model of the Company for these strategic nature of equity investments.

The Company's financial assets have low credit risk as at December 31, 2021 and 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9: However, the impact of the same is not expected to be significant.

At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

Fair value of financial assets as at December 31, 2021 and change in the fair values during the year:

	As at December 31, 2021	**As at December 31, 2020**	**Change during the year**
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Mudaraba/Murahaba deposits – held-to-maturity	**57,236,755**	124,348,532	(67,111,777)
Financial assets that do not meet the SPPI criteria			
Fixed income securities – held for trading	**74,729,318**	74,740,298	(10,980)
Equity securities – held for trading	**27,421,360**	26,901,131	520,229

iii) Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting year. 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.

iv) ***Amendments to IFRS 3, IAS 16, IAS 37***

-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.

-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 profit or loss.

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

v) ***Amendments to IAS 1, Practice statement 2 and IAS 8***

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

vi) ***Amendments to IAS 12, Income taxes***

This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations.

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Cash at bank						
- Current accounts	**11,555,000**	4,875,037	**2,667,046**	1,505,384	**14,222,046**	6,380,421
- Time deposits	**25,712,250**	34,389,382	**146,109,589**	95,023,839	**171,821,839**	129,413,221
	37,267,250	39,264,419	**148,776,635**	96,529,223	**186,043,885**	135,793,642

Short term deposits are placed with local and licensed foreign banks in Kingdom of Saudi Arabia within an original maturity of less than three months from the date of original acquisition and earned commission income ranging 0.7 % to 1.35% per annum (31 December 2020: 0.65% to 1.15% per annum). The carrying amounts of the short-term deposits reasonably approximate to the fair value at the statement of financial position date. Bank balances are also placed with counterparties with sound credit ratings.

6. 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 an average rate of 1.83% per annum (2020: 1.5 % per annum). The carrying amounts of the term deposits approximate the fair value at the statement of financial position date.

The movements in term deposits during the year ended 31 December 2021 as follows:

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
At the beginning of the year	**25,333,510**	-	**99,015,022**	132,081,773	**124,348,532**	132,081,773
Matured during the year	**(25,333,510)**	-	**(99,015,022)**	(132,081,773)	**(124,348,532)**	(132,081,773)
Placed during the year	**-**	25,333,510	**57,236,755**	99,015,022	**57,236,755**	124,348,532
At the end of the year	**-**	25,333,510	**57,236,755**	99,015,022	**57,236,755**	124,348,532

7. INVESTMENTS

a) Investments comprise the following:

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Investments held for trading	**39,755,154**	40,105,314	**62,395,524**	61,536,115	**102,150,678**	101,641,429
Investments available for sale (d)	**-**	-	**1,932,078**	1,932,078	**1,932,078**	1,932,078
	39,755,154	40,105,314	**64,327,602**	63,468,193	**104,082,756**	103,573,507

7. INVESTMENTS (CONTINUED)

b) Category wise analysis is as follows:

Insurance operations	**Domestic**		**International**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Sukuks and bonds	**20,014,283**	19,424,178	**9,146,135**	9,646,798	**29,160,418**	29,070,976
Equity securities	**10,594,736**	11,034,338	**-**	-	**10,594,736**	11,034,338
	30,609,019	30,458,516	**9,146,135**	9,646,798	**39,755,154**	40,105,314

Shareholders' operations	**Domestic**		**International**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Sukuks and bonds	**33,703,928**	33,154,855	**11,864,972**	12,514,467	**45,568,900**	45,669,322
Equity securities	**18,758,702**	17,798,871	**-**	-	**18,758,702**	17,798,871
	52,462,630	50,953,726	**11,864,972**	12,514,467	**64,327,602**	63,468,193

Investments held for trading includes quoted securities of SAR 97.18 million and unquoted SAR 4.97 million (2020: quoted securities of SAR 96.67 million and unquoted SAR 4.97 million).

c) Movements in investments held for trading is as follows:

	Insurance operations		**Shareholders' operations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
At the beginning of the year	**40,105,314**	38,013,460	**61,536,115**	58,493,236	**101,641,429**	96,506,696
Acquired during the year	**8,405,791**	11,661,873	**12,145,756**	15,128,556	**20,551,547**	26,790,429
Disposals during the year	**(7,915,357)**	(10,060,269)	**(10,268,326)**	(13,050,848)	**(18,183,683)**	(23,111,117)
Unrealised (losses) / gains	**(843,695)**	592,066	**(1,022,019)**	1,097,253	**(1,865,714)**	1,689,319
Realised gains / (losses)	**3,101**	(101,816)	**3,998**	(132,082)	**7,099**	(233,898)
At the end of the year	**39,755,154**	40,105,314	**62,395,524**	61,536,115	**102,150,678**	101,641,429

As at the balance sheet date investments amounting to SAR 68.10 million (2020: SAR 66.78 million) are denominated in US Dollars.

The Company arranged through a financial institution inside the Kingdom of Saudi Arabia to invest in certain Sukuks, bonds and equity securities traded in active open market in US Dollars. However, as the management's intention is to sell these investments in the short term, accordingly such investments are classified as investments held for trading.

d) This represents an investment in respect of the Company's shareholding in Najm for Insurance Services which provides loss determination services for motor class. This investment has been carried at cost in the absence of an active market also management does not have access to the most recent available information to determine the fair value. There has been no movement in this investment for the year ended 31 December 2021 and 2020.

e) There has been no change in the classification in the investments held for trading and available for sale for the year ended 31 December 2021 and 2020.

(All amounts expressed in Saudi Riyals unless otherwise stated)

8. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE - NET

	2021	2020
Policyholders	**25,332,322**	19,186,256
Brokers and agents	**118,661,510**	122,227,507
Receivables from insurance and reinsurance companies	**4,422,305**	2,678,563
Premiums and reinsurance receivables from related parties (note 23)	**11,728,710**	239,546
	160,144,847	144,331,872
Less: allowance for doubtful debts	**(8,561,683)**	(9,351,081)
Premiums and reinsurers' receivable – net	**151,583,164**	134,980,791

The movement in the allowance for doubtful debts is as follows:

	2021	2020
As at 1 January	**9,351,081**	11,820,991
Reversal for doubtful debts for the year	**(789,398)**	(2,469,910)
As at 31 December	**8,561,683**	9,351,081

The aging analysis of premiums and insurance balances receivable at the year-end is set out below:

2021		**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**	**91 – 180 Days**	**181 – 360 Days**	**More than 360 days**
Premiums receivable	**136,227,869**	**104,145,826**	**8,285,681**	**3,811,981**	**11,539,849**	**7,351,529**	**1,093,003**
Receivables from reinsurance companies	**3,626,585**	**1,797,498**	**77,840**	**2,085**	**1,196,036**	**349,238**	**203,888**
Related parties (note 23)	**11,728,710**	**11,717,162**	**3,777**	**-**	**-**	**3,792**	**3,979**
As at 31 December 2021	**151,583,164**	**117,660,486**	**8,367,298**	**3,814,066**	**12,735,885**	**7,704,559**	**1,300,870**
2020							
Premiums receivable	132,245,474	99,782,907	5,682,249	5,590,841	12,839,799	6,810,088	1,539,590
Receivables from reinsurance companies	2,495,771	1,554,218	152,467	211,779	538,123	-	39,184
Related parties (note 23)	239,546	141,170	7,382	999	49,068	40,927	-
As at 31 December 2020	134,980,791	101,478,295	5,842,098	5,803,619	13,426,990	6,851,015	1,578,774

Premiums and insurance balances receivables comprise a large number of customers, brokers and agents and related parties mainly within the Kingdom of Saudi Arabia as well as reinsurance companies. The Company's terms of business generally require premiums to be settled within 30 days. Arrangements with reinsurers normally require immediate settlement if the balance exceeds a certain agreed amount.

No individual, company or broker accounts for more than 41% of the premium's receivable as at 31 December 2021 (2020: 41%). In addition, the five largest customers/brokers account for 55% of the premium's receivable as at 31 December 2021 (2020: 59%).

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

9. TECHNICAL RESERVES

9.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2021	2020
Gross outstanding claims	**63,911,487**	53,173,383
Less: Realizable value of salvage and subrogation	**(3,425,084)**	(1,877,417)
	60,486,403	51,295,966
Claims incurred but not reported	**64,178,785**	41,874,437
Gross outstanding claims and reserves	**124,665,188**	93,170,403
Additional unexpired reserve	**2,824,722**	5,629,118
Additional premium reserve	**2,824,722**	5,629,118
Unallocated loss adjustment expense	**5,193,211**	3,882,539
Other technical reserves	**5,193,211**	3,882,539
	132,683,121	102,682,060
Less:		
- Reinsurers' share of outstanding claims	**(48,128,358)**	(41,858,691)
- Reinsurers' share of claims incurred but not reported	**(48,309,514)**	(29,724,574)
Net outstanding claims and reserves	**36,245,249**	31,098,795

9.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Year ended 31 December 2021		
	Gross	**Reinsurance**	**Net**
Balance as at the beginning of the year	**130,833,967**	**(100,063,940)**	**30,770,027**
Premium written / (ceded) during the year	**290,581,787**	**(187,594,987)**	**102,986,800**
Premium earned during the year	**(284,413,874)**	**184,957,572**	**(99,456,302)**
Balance as at the end of the year	**137,001,880**	**(102,701,355)**	**34,300,525**

	Year-ended 31 December 2020		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	101,027,961	(74,196,879)	26,831,082
Premium written / (ceded) during the year	274,663,053	(185,324,105)	89,338,948
Premium earned during the year	(244,857,047)	159,457,044	(85,400,003)
Balance as at the end of the year	130,833,967	(100,063,940)	30,770,027

9. TECHNICAL RESERVES (CONTINUED)

9.3 Movement in deferred policy acquisition costs

	2021	2020
At 1 January	**5,630,498**	5,323,677
Incurred during the year	**17,317,935**	16,288,743
Amortized during the year	**(16,518,956)**	(15,981,922)
At 31 December	**6,429,477**	5,630,498

Deferred policy acquisition costs only relate to insurance operations, the company does not have any inwards reinsurance arrangements.

10. CLAIMS DEVELOPMENT

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with 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 cumulative claims estimate and cumulative payments are in Saudi Riyals.

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision’s adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the years beginning from year 2017 onwards whose claim experience has not been fully developed.

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. CLAIMS DEVELOPMENT (CONTINUED)

a) Claims development table gross of reinsurance:

2021 - accident year	**Before 2017**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	**129,916,844**	**98,754,154**	**111,621,906**	**106,556,133**	**75,371,796**	**133,435,579**	-
- One year later	**115,778,583**	**88,674,458**	**62,972,496**	**71,584,578**	**73,598,381**	-	-
- Two years later	**87,013,180**	**62,664,757**	**56,139,790**	**61,866,242**	-	-	-
- Three years later	**71,111,489**	**59,567,145**	**56,265,878**	-	-	-	-
- Four years later	**69,793,209**	**57,725,843**	-	-	-	-	-
- Five years later	**74,378,626**	-	-	-	-	-	-
Current estimate of cumulative claims	**74,378,626**	**57,725,843**	**56,265,878**	**61,866,242**	**73,598,381**	**133,435,579**	**457,270,549**
Cumulative payments to date	**66,520,086**	**55,790,755**	**49,041,218**	**50,796,472**	**49,910,632**	**60,546,198**	**332,605,361**
Gross outstanding claims and reserves, net	**7,858,540**	**1,935,088**	**7,224,660**	**11,069,770**	**23,687,749**	**72,889,381**	**124,665,188**

2020 - accident year	Before 2016	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims cost gross of reinsurance:							
- At the end of the accident year	158,700,037	129,916,844	98,754,154	111,621,906	106,556,133	75,371,796	-
- One year later	138,487,936	115,778,583	88,674,458	62,972,496	71,584,578	-	-
- Two years later	138,531,744	87,013,180	62,664,757	56,139,790	-	-	-
- Three years later	115,058,570	71,111,489	59,567,145	-	-	-	-
- Four years later	114,668,272	69,793,209	-	-	-	-	-
- Five years later	113,691,915	-	-	-	-	-	-
Current estimate of cumulative claims	113,691,915	69,793,209	59,567,145	56,139,790	71,584,578	75,371,796	446,364,592
Cumulative payments to date	110,960,197	66,551,205	54,180,094	46,177,575	47,652,462	27,456,498	352,978,032
Gross outstanding claims and reserves, net	2,731,717	3,242,004	5,387,051	9,962,216	23,932,116	47,915,298	93,386,560

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. CLAIMS DEVELOPMENT (CONTINUED)

b) Claims development table net of reinsurance:

2021 - accident year or underwriting year	**Before 2017**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claims net of reinsurance:							
- At the end of the accident year	**63,166,954**	**52,214,892**	**47,929,912**	**47,139,271**	**35,635,912**	**57,610,569**	**-**
- One year later	**55,077,856**	**44,392,945**	**38,906,740**	**36,213,382**	**30,612,476**	**-**	**-**
- Two years later	**50,748,672**	**39,163,596**	**34,499,586**	**35,600,895**	**-**	**-**	**-**
- Three years later	**47,383,048**	**37,822,802**	**35,367,983**	**-**	**-**	**-**	**-**
- Four years later	**47,473,929**	**37,394,140**	**-**	**-**	**-**	**-**	**-**
- Five years later	**63,166,954**	**52,214,892**	**47,929,912**	**47,139,271**	**35,635,912**	**57,610,569**	**-**
Current estimate of cumulative claims	**48,290,328**	**37,394,140**	**35,367,983**	**35,600,895**	**30,612,476**	**57,610,569**	**244,876,391**
Cumulative payments to date	**45,959,551**	**37,106,696**	**34,000,378**	**32,560,969**	**26,549,559**	**40,471,922**	**216,649,075**
Gross outstanding claims and reserves, net	**2,330,777**	**287,444**	**1,367,605**	**3,039,926**	**4,062,917**	**17,138,647**	**28,227,316**

2020 - accident year or underwriting year	Before 2016	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims net of reinsurance:							
- At the end of the accident year	64,860,281	63,166,954	52,214,892	47,929,912	47,139,271	35,635,912	-
- One year later	60,612,867	55,077,856	44,392,945	38,906,740	36,213,382	-	-
- Two years later	58,489,664	50,748,672	39,163,596	34,499,586	-	-	-
- Three years later	54,375,167	47,383,048	37,822,802	-	-	-	-
- Four years later	55,211,302	47,473,929	-	-	-	-	-
- Five years later	54,705,651	-	-	-	-	-	-
Current estimate of cumulative claims	54,705,651	47,473,929	37,822,802	34,499,586	36,213,382	35,635,912	246,422,999
Cumulative payments to date	54,293,436	45,990,669	37,230,263	33,376,784	31,838,020	22,034,956	224,764,128
Gross outstanding claims and reserves, net	412,215	1,483,260	592,539	1,122,801	4,375,363	13,600,957	21,658,871

(All amounts expressed in Saudi Riyals unless otherwise stated)

11. PREPAID EXPENSES AND OTHER ASSETS

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Receivable- insurance arrangements (note 11.1)	**113,199**	3,007,952	**-**	-	**113,199**	3,007,952
Other accrued	**2,090,301**	-	**-**	-	**2,090,301**	-
VAT refundable	**727,650**	-	**-**	-	**727,650**	-
Prepaid insurance	**283,773**	664,360	**-**	-	**283,773**	664,360
Accrued interest	**48,336**	123,789	**1,253,443**	363,608	**1,301,779**	487,397
Advances	**13,080**	13,080	**-**	-	**13,080**	13,080
Prepaid for maintenance	**147,079**	122,916	**-**	-	**147,079**	122,916
Prepaid rent	**10,000**	63,253	**-**	-	**10,000**	63,253
Employees' receivables	**214,421**	41,782	**-**	-	**214,421**	41,782
Bank margin (note 26 and 31)	**-**	101,119	**9,500,821**	9,500,821	**9,500,821**	9,601,940
Advance tax	**6,824,881**	-	**343,852**	343,852	**7,168,733**	343,852
Others	**1,827,098**	1,049,257	**-**	-	**1,827,098**	1,049,257
	12,299,818	5,187,508	**11,098,116**	10,208,281	**23,397,934**	15,395,789

11.1 This included receivables related to Umrah shared agreement relating to general accident insurance which is effective from 1 January 2020. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia.

12. INTANGIBLE ASSET

	Software SR	Capital work in progress SR	Total SR
Cost:			
At 1 January 2020	5,209,451	-	5,209,451
Addition	323,531	-	323,531
At 31 December 2020	5,532,982	-	5,532,982
Addition	**-**	**2,515,248**	**2,515,248**
At 31 December 2021	**5,532,982**	**2,515,248**	**8,048,230**
Amortisation:			
At 1 January 2020	4,732,993	-	4,732,993
Charge for the year	262,070	-	262,070
At 31 December 2020	4,995,063	-	4,995,063
Charge for the year	**254,569**	**-**	**254,569**
At 31 December 2021	**5,249,632**	**-**	**5,249,632**
Carrying amount:			
At 31 December 2021	**283,350**	**2,515,248**	**2,798,598**
At 31 December 2020	537,919	-	537,919

Capital work in progress is entirely related to new software under development.

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
Cost:				
At 1 January 2020	1,269,790	4,821,425	372,628	6,463,843
Additions	-	300,113	240,925	541,038
Disposals	-	-	(262,000)	(262,000)
At 31 December 2020	1,269,790	5,121,538	351,553	6,742,881
Additions	**-**	**1,836,788**	**-**	**1,836,788**
Disposals	**-**	**-**	**(20,000)**	**(20,000)**
At 31 December 2021	**1,269,790**	**6,958,326**	**331,553**	**8,559,669**
Accumulated Depreciation:				
At 1 January 2020	1,269,790	4,257,507	347,412	5,874,709
Charge for the year	-	183,457	40,274	223,731
Disposals	-	-	(262,000)	(262,000)
At 31 December 2020	1,269,790	4,440,964	125,686	5,836,440
Charge for the year	**-**	**359,232**	**60,232**	**419,464**
Disposals	**-**	**-**	**(20,000)**	**(20,000)**
At 31 December 2021	**1,269,790**	**4,800,196**	**165,918**	**6,235,904**
Carrying amount:				
At 31 December 2021	**-**	**2,158,130**	**165,635**	**2,323,765**
At 31 December 2020	-	680,574	225,867	906,441

14. RIGHT OF USE ASSETS

	2021	2020
At 1 January,	**3,235,499**	3,235,499
At 31 December,	**3,235,499**	3,235,499
Accumulated Depreciation:		
At 1 January,	**2,157,000**	1,078,500
Charge for the year	**1,078,499**	1,078,500
At 31 December,	**3,235,499**	2,157,000
Carrying amount:		
At 31 December,	**-**	1,078,499

15. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. Saudi Central Bank ("SAMA") is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent. In accordance with the instruction received from SAMA vide their circular dated 1 March 2016, the Company has disclosed the commission earned on the statutory deposit as at 31 December 2021 as an asset and a liability in these financial statements. During the year 2021, the Company has made additional contribution amounting to SR 10 million to the statutory deposit, on account of the increase in share capital amounting to SR 100 million (note 27).

16. GOODWILL

During the year 2008, the Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Ace Arabia Insurance Company B.S.C. (c) and International Insurance Company B.S.C. (c). The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 (“the Letter”), the value of combined goodwill was estimated at SAR 43.77 million. The amount has been paid in accordance with SAMA’s instructions.

Goodwill was allocated to the operations of the entire Company which is considered as one CGU. The carrying amount of goodwill amounts to SAR 43.77 million and no impairment loss has been recognised in 2021 and 2020, as a result of the impairment review for the CGU.

As at the statement of financial position date, the management of the Company has assessed the carrying value of the goodwill. Based on their assessment, the management believes that there is no objective evidence or circumstances that indicate any impairment in the value of the goodwill. Therefore, no impairment is required to be recognised in respect of the goodwill in the statement of income of shareholders’ operations.

In accordance with the requirements of the International Financial Reporting Standards as applicable in Kingdom of Saudi Arabia, the Company’s management has annually carried out an impairment test in respect of the abovementioned goodwill. The management conducted the impairment exercise for the year ended 31 December 2021. The recoverable amount of the operations has been based on the value in use (VIU) calculation using cash flow projections based on financial budgets approved by the senior management covering a three-year period.

The key assumptions used for the VIU impairment calculation are:

- Investment market conditions – Investment market conditions are based on market research and published statistics. Management plans assume modest investment growth of 2% (2020: 1.5%), which is lower than the anticipated market growth forecast.
- Policy lapses – The Company has retained records of policy lapses since its inception and is therefore able to predict trends over the coming years. Management plans assume no change from recent experiences.
- Premiums – Earned premium income is based on average values achieved in the three years preceding the start of the budget year. An average growth rate of 10% (2020: 9%) per annum was applied.
- Expenses – Estimates are obtained from published indices of inflation and market research. The financial budget plans assume that expenses will broadly increase in line with inflation.
- Weighted average cost of capital (WACC) – The Company has used an average WACC of 10.7% (2020: 13.3%).

Sensitivity to changes in assumptions
With regard to the assessment of value in use for the identified CGU, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to exceed its recoverable amount. The actual recoverable amount exceeds its carrying amount by SAR 104.65 million (2020 SAR 77.24 million).

Management recognised the fact that current market conditions reflect stable and profitable margins. Management believes even a reduction of 10% in the premium growth rate would not have any significant impact on the recoverable amount as compared to the carrying amount of the CGU.

Sensitivity to change in WACC
The 5% increase/ decrease in WACC will affect the recoverable amount by SR 21.99 million (2020: SR 22.02 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. UNEARNED REINSURANCE COMMISSION

	2021	2020
At 1 January	**8,340,689**	8,851,869
Reinsurance commission received during the year	**26,608,378**	22,455,851
Reinsurance commission earned during the year	**(25,818,077)**	(22,967,031)
At 31 December	**9,130,990**	8,340,689

18. REINSURERS' BALANCES PAYABLE

	2021	2020
Related parties (note 23)	**12,989,029**	12,139,740
Others	**72,055,468**	73,899,169
	85,044,497	86,038,909

19. ACCRUED AND OTHER LIABILITIES

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Accrued bonus	**3,880,707**	3,707,690	**-**	-	**3,880,707**	3,707,690
Withholding tax payable	**1,505,149**	976,126	**-**	-	**1,505,149**	976,126
Stale cheques	**1,438,477**	1,725,811	**-**	-	**1,438,477**	1,725,811
Accrued supervision fees	**479,352**	1,138,296	**-**	-	**479,352**	1,138,296
Legal and professional fees	**125,039**	115,663	**588,340**	281,832	**713,379**	397,495
Survey fees payables	**97,120**	119,314	**-**	-	**97,120**	119,314
Value added tax payables	**-**	8,744,669	**-**	-	**-**	8,744,669
Remuneration of board and other committee's members	**-**	-	**3,293,003**	3,158,000	**3,293,003**	3,158,000
Other	**1,306,872**	111,568	**37,500**	37,500	**1,344,372**	149,068
	8,832,716	16,639,137	**3,918,843**	3,477,332	**12,751,559**	20,116,469

20. LEASE LIABILITIES

	2021	2020
At 1 January	**1,118,664**	2,195,455
Payments made during the year	**(1,122,227)**	(1,122,227)
Interest expense	**3,563**	45,436
At 31 December	**-**	1,118,664

21. SURPLUS DISTRIBUTION PAYABLE

	2021	2020
Opening surplus distribution payable	**5,005,180**	9,184,671
Total income attributed to the insurance operations	**1,781,366**	3,981,949
Surplus paid to policy holders	**(4,606,520)**	(8,161,440)
Closing surplus distribution payable	**2,180,026**	5,005,180

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. END-OF-SERVICE INDEMNITIES

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

22.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2021	2020
Present value of end of service benefits	**10,968,262**	9,336,979

22.2 Movement in defined benefit obligation

	2021	2020
1 January	**9,336,979**	8,410,730
Current service cost	**1,249,191**	1,158,605
Interest cost	**196,199**	255,535
	1,445,390	1,414,140
Actuarial losses due to change in financial assumptions	**(113,609)**	(304,811)
Actuarial losses due to change in experience adjustments	**692,542**	1,042,455
	578,933	737,644
Payments during the year	**(393,040)**	(1,225,535)
At 31 December	**10,968,262**	9,336,979

22.3 Principal actuarial assumptions

	2021	2020
Discount factor used	**2.35%**	1.90%
Long term salary increase rate	**2.35%**	1.90%
Mortality rates	**WHO SA 19 - 75%**	WHO SA 16 - 75%
Weighted average duration of end of service benefits in years	**8.21**	8.18
Rates of employees turnover	**Moderate**	Moderate

22.4 Sensitivity analysis on present value of end of service benefits plan are as below:

	31 December 2021		31 December 2020	
	Percentage (%)	**Amount**	Percentage (%)	Amount
Discount rate				
Increase	**+0.5%**	**10,534,189**	+0.5%	8,968,998
Decrease	**-0.5%**	**11,436,119**	-0.5%	9,734,022
Expected changes in long term salary				
Increase	**+0.5%**	**11,463,867**	+0.5%	9,658,546
Decrease	**-0.5%**	**10,504,158**	-0.5%	9,035,961

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent shareholders, companies related to shareholders ("affiliates") and key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and the board of directors. The following are the details of major related parties' transactions during the year and the related balances:

Related parties	*Nature of transactions*	**2021**	2020
Shareholders	Reinsurance premiums ceded	**52,571,207**	44,009,307
	Reinsurers' share of gross claims	**22,277,888**	3,585,119
	Reinsurance commission income	**9,678,320**	7,430,099
Affiliates	Gross written premiums	**538,610**	360,688
	Rent	**1,463,631**	1,287,500
	Claim expenses	**3,204,827**	2,269,495
	Other expenses	**-**	15,200
Board of Directors	Remuneration	**1,425,000**	1,425,000
	Meeting fees	**1,538,000**	1,403,000
	Travel expenses	**53,137**	152,850

Balances due from / to related parties are comprised of the following:

Related parties	**Premiums and reinsurance receivables**		**Reinsurance payables**	
	2021	2020	**2021**	2020
Chubb, Dubai	**11,545,181**	-	**-**	765,328
Chubb European Group London, UK	**171,980**	-	**-**	1,937,187
Chubb, Australia	**11,549**	23,828	**-**	-
Chubb European Group, France	-	-	**45,174**	59,162
Chubb, Singapore	-	-	**245,033**	-
Chubb American Insurance Co., USA	-	-	**5,103,737**	4,416,063
ACE American Insurance, Bahrain	-	-	**40,859**	40,859
Chubb Tempest RE	**-**	174,791	**1,522,110**	62,915
Chubb Switzerland	**-**	-	**3,067**	166,283
Chubb European Group, Turkey	-	-	**8,639**	591,946
ACE Mena, Bahrain	-	-	**207,627**	439,048
RFIB Group Limited, UK	-	-	**1,846,979**	1,763,888
Chubb, South Africa	-	-	**2,451,059**	1,176,264
Chubb, Spain	-	-	**1,017,921**	489,524
Others	**-**	40,927	**496,824**	231,273
Total	**11,728,710**	239,546	**12,989,029**	12,139,740

- Amounts due from/ due to, pertain to transactions conducted with affiliates.

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Remuneration and compensation of the board members and executives

The following table shows the annual salaries, remuneration and allowances obtained by the board members and top executives for the year ended 31 December 2021 and 2020:

2021	**BOD members (Executives)**	**BOD members (Non-Executive)**	**Key management**
Salaries and compensation	**-**	**-**	**3,897,743**
End of service indemnities	**-**	**-**	**338,448**
Travel expenses	**21,000**	**21,000**	**-**
Annual remuneration and meeting fees	**351,250**	**2,611,750**	**-**
Total	**372,250**	**2,632,750**	**4,236,191**

2020	BOD members (Executives)	BOD members (Non-Executive)	Key management
Salaries and compensation	-	-	3,368,665
End of service indemnities	-	-	321,306
Travel expenses	15,165	137,685	-
Annual remuneration and meeting fees	325,000	2,503,000	-
Total	340,165	2,640,685	3,689,971

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Insurance operations		**Shareholders' operations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Employees' cost	**26,312,102**	24,085,974	**674,669**	617,588	**26,986,771**	24,703,562
Depreciation and amortisation	**1,708,718**	1,525,193	**43,814**	39,108	**1,752,532**	1,564,301
Information technology services	**1,608,249**	1,171,425	**41,237**	30,037	**1,649,486**	1,201,462
End of service indemnities (note 22)	**1,409,255**	1,378,786	**36,135**	35,353	**1,445,390**	1,414,139
Insurance	**1,269,191**	1,157,034	**32,544**	29,667	**1,301,735**	1,186,701
Utilities	**749,946**	623,870	**19,230**	15,997	**769,176**	639,867
Rent	**736,999**	699,586	**48,897**	42,938	**785,896**	742,524
Business travel and transport	**-**	227,882	**-**	5,843	**-**	233,725
Training costs	**492,815**	309,125	**50,569**	7,926	**543,384**	317,051
Fees and subscriptions	**145,238**	116,279	**3,724**	2,982	**148,962**	119,261
Stationery	**106,137**	118,598	**2,721**	3,041	**108,858**	121,639
Repairs and maintenance	**78,908**	102,080	**2,023**	2,617	**80,931**	104,697
Professional fees	**24,375**	24,375	**1,335,298**	1,131,908	**1,359,673**	1,156,283
Promotion and advertising	**9,290**	79,113	**239**	8,389	**9,529**	87,502
Remuneration of the board of directors', meeting fee and related expenses	**-**	-	**3,016,138**	2,980,850	**3,016,138**	2,980,850
Others	**2,066,388**	2,757,199	**547,906**	826,772	**2,614,294**	3,583,971
	36,717,611	34,376,519	**5,855,144**	5,781,016	**42,572,755**	40,157,535

(All amounts expressed in Saudi Riyals unless otherwise stated)

25. DIVIDEND, INTEREST AND COMMISSION INCOME

	Insurance operations		Shareholders' operations		Total	
	2021	2020	**2021**	2020	**2021**	2020
Investment held for trading						
Special commission income	**740,663**	847,088	**1,181,821**	1,349,497	**1,922,484**	2,196,585
Dividend income	**258,628**	253,143	**397,922**	378,476	**656,550**	631,619
Cash and short-term deposits						
Interest income	**416,274**	644,103	**2,796,758**	4,072,554	**3,213,032**	4,716,657
	1,415,565	1,744,334	**4,376,501**	5,800,527	**5,792,066**	7,544,861

26. ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The Zakat charge relating to Saudi shareholders and principal elements of Zakat base are as following:

	2021	2020
Equity	**140,000,000**	140,000,000
Opening provisions and other adjustments	**119,977,153**	118,566,517
Book value of long term assets, net of related financing	**(49,580,435)**	(103,396,896)
	210,396,718	155,169,621
Income subject to zakat	**8,578,465**	23,880,911
Zakat base	**218,975,183**	179,050,532

	2021	2020
Charge and provision for the year	**5,638,068**	4,596,805

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

b) Income tax

Charge for the year

Income tax relating to the non-Saudi shareholders' consists of:

	2021	2020
Charge and provision for the year	**735,297**	1,937,429

Income tax has been provided for based on the estimated taxable profit at the rate of 20% per annum.

The differences between the financial results and taxable income are mainly due to adjustments for certain costs/claims based on the relevant fiscal regulations.

(All amounts expressed in Saudi Riyals unless otherwise stated)

26. ZAKAT AND INCOME TAX (CONTINUED)

c) Movement in the provision for Zakat and income tax during the year

The movement in Zakat and income tax provision is as follows:

	2021	2020
At the beginning of the year	**19,536,736**	16,501,196
Provision for the year:		
-Zakat	**5,638,068**	4,596,805
-Income tax	**735,297**	1,937,429
Paid during the year	**(6,604,857)**	(3,498,694)
At the end of the year	**19,305,244**	19,536,736

The following is the founding shareholding percentage:

	2021	2020
Shareholding subject to zakat	**70**	70
Shareholding subject to income tax	**30**	30

d) Zakat and income tax assessments

In 2015, the ZATCA raised final assessments for the years ended 31 December 2009 to 2012 and claimed additional Zakat and income tax liability including withholding tax amounting to SAR 13.79 million. The management has filed an appeal against these assessments and believes that the outcome of this appeal will be in the favor of the Company. However, the Company has paid SAR 14.9 million (including delay penalties and withholding tax) and also furnished a bank guarantee of SAR 3.3 million in favor of ZATCA to avoid any further delay penalties until the appeal against the assessments is finalized. During the year ended December 31, 2021, the Company has received final decision from General Secretariat of Tax Committees (GSTC) – Appellate Committee with settlement amount of SR 12.78 million (SR 2.1 million refundable from the additional amount of SR 14.9 million paid). Based on it, the Company has filed a settlement letter with ZATCA and waiting their concurrence to it.

The Company has also received a provisional assessment for the years 2013 to 2015 where ZATCA had requested for an additional Zakat and income tax liability of SAR 6.2 million. The management has also filed an appeal against this assessment. However, the Company has submitted an additional bank guarantee amounting to SAR 6.2 million to cover the full additional liability and to avoid delay penalties.

Furthermore, in 2020, the ZATCA raised final assessments for the years ended 31 December 2016 to 2018 and assessed additional Zakat and income tax liability amounting to SAR 10.6 million. The management filed an appeal with the ZATCA and the ZATCA issued a revised assessment with the additional Zakat and Income tax liability amounting to SR 8.5 million. The management has filed appeals against these assessments with the General secretariat of tax committees (GSTC) and believes that the outcome of these appeals will be in the favor of the Company. The ZATCA in 2020 also raised a Withholding tax assessment for the years 2016 and 2017 amounting to SR 9.5 million. The management has filed an appeal against this assessment and believes that the outcome of this appeal will be in favor of the Company.

Additionally, in March 2021, the Company settled the additional WHT liability amounting to SR 6.8 million under the tax amnesty scheme of waiving the delay fine if the principal amount is paid, the company will request a refund of this amount after favorable outcome of the case.

The Company has filed Zakat and tax returns up to year ended 31 December 2020 and obtained Zakat and tax clearance certificate valid till 30 April 2022. During the year 2021, ZATCA has raised final assessment for the years 2019 and 2020 with additional tax and zakat exposure of SR 7.3 million. The management filed appeals with GSTC against these assessments and believes that the outcome of the appeals will be in the favor of the Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

27. SHARE CAPITAL

The authorised, issued and paid-up share capital is SAR 300 million at 31 December 2021 consisting of 30 million shares (31 December 2020: SAR 200 million consisting of 20 million shares) of SAR 10 each.

Shareholding structure of the Company as at 31 December 2021 and 2020 are as below.

		Shareholding percentage	
Shareholder	**Country**	**2021**	2020
Chubb International Holding Co.	USA	**30**	30
El-Khereiji Investment Company	Saudi Arabia	**20**	10
El-Khereiji Real Estate	Saudi Arabia	**5**	5
International Corporation For Trade and Contract Services	Saudi Arabia	**5**	5
El-Khereiji Construction Company	Saudi Arabia	**-**	5
El-Khereiji Trading & Electronics Company	Saudi Arabia	**-**	5
General Public	Saudi Arabia	**40**	40
		100	100

During the year ended 31 December 2021, the share capital of the Company was increased from SR 200 million to SR 300 million by way of issuance of bonus shares by granting one share for every two shares owned which was approved by shareholders in Extra Ordinary General Assembly meeting held on 14 July 2021 corresponding to 4 Dul Hijjah 1442H. The increase in share capital is funded by capitalizing of SR 100 million from the retained earnings. The legal formalities were completed during the year, therefore, the necessary changes have been reflected in these financial statements.

28. STATUTORY RESERVE

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

29. EARNINGS PER SHARE

Earnings per share for the year has been calculated by dividing the net income for the year by the weighted average number of outstanding shares during the period. The earnings per share for the corresponding years were adjusted to reflect the impact of bonus issue.

30. GROSS WRITTEN PREMIUM

			31 December 2021			
Class	**Individual**	**Very small**	**Small**	**Medium**	**Corporate**	**Total**
Motor	**10,706,307**	**1,128,625**	**2,061,615**	**5,822,527**	**42,938,579**	**62,657,653**
Property, casualty and others	**312,387**	**1,966,961**	**6,290,886**	**7,775,352**	**211,578,548**	**227,924,134**
Total	**11,018,694**	**3,095,586**	**8,352,501**	**13,597,879**	**254,517,127**	**290,581,787**

			31 December 2020			
Class	Individual	Very small	Small	Medium	Corporate	Total
Motor	6,181,661	1,396,161	3,007,678	7,545,418	33,205,817	51,336,735
Property, casualty and others	283,067	3,550,879	8,622,036	9,103,351	201,766,985	223,326,318
Total	6,464,728	4,947,040	11,629,714	16,648,769	234,972,802	274,663,053

(All amounts expressed in Saudi Riyals unless otherwise stated)

31. COMMITMENTS AND CONTINGENCIES

The Company's commitments and contingencies are as follows:

	2021	2020
Letters of guarantee	**9,500,821**	9,601,940

a) Legal proceedings

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

b) Capital commitments

As on December 31, 2021, the Company has capital commitment related to new software amounting to SR 3.55 million (31 December 2020: Nil).

32. CAPITAL MANAGEMENT

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

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

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The solvency margin as at 31 December 2021 is 184% (2020: 181%). Further, the Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SAR 300 million, statutory reserves of SAR 40.6 million and retained earnings of SAR 22.6 million (31 December 2020: paid-up share capital of SAR 200 million, statutory reserves of SAR 38.5 million and retained earnings of SAR 114.2 million) in the statement of financial position.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

33. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Board of Directors in their function as Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance.

For management purposes, the Company is organized into business segments classified as: Property, Engineering, Motor, Casualty and Others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

There have been no changes to the basis of segmentation or the measurement basis for the segment statement of income since 31 December 2020.

Segment results do not include allowance for doubtful debts, general and administrative expenses, dividend, interest and commission income, unrealised losses on disposal of investments held for trading, realized gains on investments held for trading and other income, net.

Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable, amounts due from related parties, investments held for trading, investments available for sale, prepayments and other assets, term deposits, property and equipment, intangible asset, right of use asset, goodwill, statutory deposit and statutory deposit commission income. Accordingly, they are included in unallocated assets.

Segment liabilities and accumulated surplus do not include accounts payables, accrued expenses and other liabilities, reinsurance balances payable, end of service indemnities, statutory deposit commission income payable, provision for Zakat and income tax and re-measurement reserve of defined benefit obligation. Accordingly, they are included in unallocated liabilities.

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

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

33. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

Statement of financial position at 31 December 2021	Property	Engineering	Motor	Casualty	Others	Total - Insurance operations	Shareholders' operations	Total
ASSETS								
Reinsurers' share of unearned premiums	60,357,923	23,471,727	-	13,395,379	5,476,326	102,701,355	-	102,701,355
Reinsurers' share of outstanding claims	32,352,446	10,398,685	86,142	1,850,025	3,441,060	48,128,358	-	48,128,358
Reinsurers' share of claims incurred but not reported	26,329,574	8,785,161	1,843,931	9,196,689	2,154,159	48,309,514	-	48,309,514
Deferred policy acquisition costs	1,679,340	1,181,383	1,310,832	1,548,647	709,275	6,429,477	-	6,429,477
Unallocated assets						246,027,749	357,620,527	603,648,276
TOTAL ASSETS						451,596,453	357,620,527	809,216,980
LIABILITIES								
Unearned premiums	63,191,113	25,670,598	17,987,476	21,743,629	8,409,064	137,001,880	-	137,001,880
Unearned reinsurance commission	4,820,622	2,659,161	-	1,204,779	446,428	9,130,990	-	9,130,990
Outstanding claims	34,293,222	12,896,469	4,050,646	3,902,058	5,344,008	60,486,403	-	60,486,403
Claims incurred but not reported	28,858,727	10,305,182	8,945,836	13,095,909	2,973,131	64,178,785	-	64,178,785
Additional premium reserves	788,741	948,394	1,072,131	-	15,456	2,824,722	-	2,824,722
Other technical reserves	2,530,294	921,438	603,414	827,582	310,483	5,193,211	-	5,193,211
Unallocated liabilities						148,068,599	25,630,756	173,699,355
TOTAL LIABILITIES						426,884,590	25,630,756	452,515,346

(All amounts expressed in Saudi Riyals unless otherwise stated)

33. SEGMENTAL INFORMATION (CONTINUED)

Operating segments (continued)

Statement of financial position at 31 December 2020	Property	Engineering	Motor	Casualty	Others	Total - Insurance operations	Shareholders' operations	Total
ASSETS								
Reinsurers' share of unearned Premiums	57,584,249	26,048,526	3,471	12,413,060	4,014,634	100,063,940	-	100,063,940
Reinsurers' share of outstanding claims	28,700,742	4,207,939	(122,985)	6,064,423	3,008,572	41,858,691	-	41,858,691
Reinsurers' share of claims incurred but not reported	20,378,638	4,530,014	445,510	3,416,815	953,597	29,724,574	-	29,724,574
Deferred policy acquisition costs	1,621,071	984,241	1,381,053	1,243,541	400,592	5,630,498	-	5,630,498
Unallocated assets						247,394,401	335,211,718	582,606,119
TOTAL ASSETS						424,672,104	335,211,718	759,883,822
LIABILITIES								
Unearned premiums	60,646,562	27,430,246	16,790,686	19,740,896	6,225,577	130,833,967	-	130,833,967
Unearned reinsurance commission	3,852,375	2,765,813	254	1,110,087	612,160	8,340,689	-	8,340,689
Outstanding claims	29,883,090	6,340,505	1,932,036	8,586,767	4,553,568	51,295,966	-	51,295,966
Claims incurred but not reported	22,114,506	5,166,993	5,961,189	6,848,200	1,783,549	41,874,437	-	41,874,437
Additional premium reserve	2,387,745	2,107,546	584,385	309,421	240,021	5,629,118	-	5,629,118
Other technical reserves	2,130,723	479,392	398,314	640,641	233,469	3,882,539	-	3,882,539
Unallocated liabilities						142,678,485	25,230,317	167,908,802
TOTAL LIABILITIES						384,535,201	25,230,317	409,765,518

Geographical segments

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for certain investments held in countries domiciled in the Gulf Cooperation Council ("GCC").

(All amounts expressed in Saudi Riyals unless otherwise stated)

33. SEGMENTAL INFORMATION (CONTINUED)

Statement of income for the year ended* 31 *December 2021	**Property**	**Engineering**	**Motor**	**Casualty**	**Others**	**Total**
REVENUES						
Gross premiums written	**121,655,359**	**28,764,980**	**62,657,653**	**51,172,569**	**26,331,226**	**290,581,787**
Less: Reinsurance premiums ceded						
Local	**(5,680,283)**	**(2,604,008)**	**-**	**-**	**(643,692)**	**(8,927,983)**
Foreign	**(107,810,705)**	**(20,540,342)**	**(142)**	**(28,902,363)**	**(15,802,785)**	**(173,056,337)**
Excess of loss expenses	**(2,517,400)**	**(477,614)**	**(907,482)**	**(716,666)**	**(991,505)**	**(5,610,667)**
Net premiums written	**5,646,971**	**5,143,016**	**61,750,029**	**21,553,540**	**8,893,244**	**102,986,800**
Changes in unearned premiums	**(2,544,551)**	**1,759,648**	**(1,196,790)**	**(2,002,733)**	**(2,183,487)**	**(6,167,913)**
Changes in reinsurers' share of unearned premiums	**2,773,674**	**(2,576,799)**	**(3,471)**	**982,319**	**1,461,692**	**2,637,415**
Net premiums earned	**5,876,094**	**4,325,865**	**60,549,768**	**20,533,126**	**8,171,449**	**99,456,302**
Reinsurance commission income	**14,647,170**	**5,015,992**	**298**	**2,831,561**	**3,323,056**	**25,818,077**
NET REVENUES	**20,523,264**	**9,341,857**	**60,550,066**	**23,364,687**	**11,494,505**	**125,274,379**
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(18,723,617)**	**(4,580,787)**	**(40,640,298)**	**(14,409,840)**	**(10,321,937)**	**(88,676,479)**
Expenses incurred related to claims	**(333,642)**	**(205,500)**	**(963,384)**	**(18,838)**	**(338,355)**	**(1,859,719)**
Reinsurers' share of gross claims paid	**18,008,294**	**4,146,497**	**233,284**	**13,666,162**	**8,354,907**	**44,409,144**
Net claims and other benefits paid	**(1,048,965)**	**(639,790)**	**(41,370,398)**	**(762,516)**	**(2,305,385)**	**(46,127,054)**
Changes in outstanding claims	**(4,410,132)**	**(6,555,964)**	**(2,118,610)**	**4,684,709**	**(790,440)**	**(9,190,437)**
Changes in reinsurers' share of outstanding claims	**3,651,704**	**6,190,746**	**209,127**	**(4,214,398)**	**432,488**	**6,269,667**
Changes in claims incurred but not reported ("IBNR")	**(6,744,221)**	**(5,138,189)**	**(2,984,647)**	**(6,247,709)**	**(1,189,582)**	**(22,304,348)**
Changes in reinsurers' share of IBNR	**5,950,936**	**4,255,147**	**1,398,421**	**5,779,874**	**1,200,562**	**18,584,940**
Net claims and other benefits incurred	**(2,600,678)**	**(1,888,050)**	**(44,866,107)**	**(760,040)**	**(2,652,357)**	**(52,767,232)**
Additional premium reserve	**1,599,004**	**1,159,152**	**(487,746)**	**309,421**	**224,565**	**2,804,396**
Other technical reserves	**(399,571)**	**(442,046)**	**(205,100)**	**(186,941)**	**(77,014)**	**(1,310,672)**
Policy acquisition costs	**(5,616,735)**	**(1,903,994)**	**(4,220,182)**	**(3,143,540)**	**(1,634,505)**	**(16,518,956)**
Other underwriting expenses	**(863,841)**	**(134,126)**	**(3,490,449)**	**(379,083)**	**(376,019)**	**(5,243,518)**
TOTAL UNDERWRITING COSTS AND EXPENSES	**(7,881,821)**	**(3,209,064)**	**(53,269,584)**	**(4,160,183)**	**(4,515,330)**	**(73,035,982)**
NET UNDERWRITING INCOME	**12,641,443**	**6,132,793**	**7,280,482**	**19,204,504**	**6,979,175**	**52,238,397**

OTHER OPERATING (EXPENSES)/ INCOME	
Reversal for doubtful debts	**789,398**
General and administrative expenses	**(42,572,755)**
Dividend, interest and commission Income	**5,792,066**
Realized gain on investments held for trading	**7,099**
Unrealised loss on disposal of investments held for trading	**(1,865,714)**
Other income, net	**928,503**
TOTAL OTHER EXPENSES	**(36,921,403)**
Income before surplus, Zakat and income tax	**15,316,994**
Income attributed to insurance operations	**(1,781,366)**
Income attributed to the shareholders' before Zakat and income tax	**13,535,628**
Zakat charge	**(5,638,068)**
Income tax charge	**(735,297)**
Net income attributed to shareholders	**7,162,263**

(All amounts expressed in Saudi Riyals unless otherwise stated)

33. SEGMENTAL INFORMATION (CONTINUED)

Statement of income for the year ended 31 *December 2020*	Property	Engineering	Motor	Casualty	Others	Total
REVENUE						
Gross premiums written	112,227,183	41,352,241	51,336,735	44,984,181	24,762,713	274,663,053
Less: Reinsurance premiums ceded						
Local	(5,310,497)	(1,917,476)	(79,586)	(57,004)	(671,881)	(8,036,444)
Foreign	(98,716,235)	(36,078,775)	(8,459)	(23,619,635)	(14,773,729)	(173,196,833)
Excess of loss expenses	(1,443,126)	(319,874)	(795,960)	(570,042)	(961,826)	(4,090,828)
Net premiums written	6,757,325	3,036,116	50,452,730	20,737,500	8,355,277	89,338,948
Change in unearned premiums	(14,505,647)	(15,708,276)	(880,607)	702,423	586,101	(29,806,006)
Change in reinsurers' share of unearned premiums	13,550,790	15,824,329	(2,383,433)	(449,544)	(675,081)	25,867,061
Net premiums earned	5,802,468	3,152,169	47,188,690	20,990,379	8,266,297	85,400,003
Reinsurance commission income	11,468,692	4,654,569	1,594,784	2,405,291	2,843,695	22,967,031
NET REVENUES	17,271,160	7,806,738	48,783,474	23,395,670	11,109,992	108,367,034
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(7,175,895)	(2,396,592)	(25,086,623)	(1,257,618)	(3,559,337)	(39,476,065)
Expenses incurred related to claims	(274,648)	(284,440)	(1,349,503)	(619,934)	(254,468)	(2,782,993)
Reinsurers' share of gross claims paid	6,825,972	2,256,241	1,964,653	879,270	1,900,003	13,826,139
Net claims and other benefits paid	(624,571)	(424,791)	(24,471,473)	(998,282)	(1,913,802)	(28,432,919)
Changes in outstanding claims	(2,533,579)	(3,017,291)	3,420,328	2,080,504	(2,243,309)	(2,293,347)
Changes in reinsurers' share of outstanding claims	2,532,632	1,657,121	(1,065,157)	(293,787)	1,860,644	4,691,453
Changes in IBNR	4,291,724	623,266	5,760,927	1,042,973	4,674,380	16,393,270
Changes in reinsurers' share of IBNR	(3,797,226)	(585,033)	(905,491)	(1,052,824)	(2,564,461)	(8,905,035)
Net claims and other benefits incurred	(131,020)	(1,746,728)	(17,260,866)	778,584	(186,548)	(18,546,578)
Additional premium reserve	598,493	(2,107,546)	(481,978)	(309,421)	(240,021)	(2,540,473)
Other technical reserves	(1,228,901)	(323,942)	(123,373)	(343,083)	(62,176)	(2,081,475)
Policy acquisition costs	(5,210,119)	(1,511,113)	(4,393,694)	(3,225,129)	(1,641,867)	(15,981,922)
Other underwriting expenses	(1,063,364)	(520,534)	(1,348,413)	(515,699)	(446,502)	(3,894,512)
TOTAL UNDERWRITING COSTS AND EXPENSES	(7,034,911)	(6,209,863)	(23,608,324)	(3,614,748)	(2,577,114)	(43,044,960)
NET UNDERWRITING INCOME	10,236,249	1,596,875	25,175,150	19,780,922	8,532,878	65,322,074
OTHER (EXPENSES) / INCOME						
Reversal for impairment of doubtful debts						2,469,910
General and administrative expenses						(40,157,535)
Dividend, interest and commission income						7,544,861
Realized losses on investments held for trading						(233,898)
Unrealised gains on disposal of investments held for trading						1,689,319
Other income, net						4,169,439
TOTAL OTHER EXPENSES						(24,517,904)
Income before surplus, Zakat and income tax						40,804,170
Income attributed to insurance operations						(3,981,949)
Income attributed to the shareholders' before Zakat and income tax						36,822,221
Zakat charge						(4,596,805)
Income tax charge						(1,937,429)
Net income attributed to shareholders						30,287,987

(All amounts expressed in Saudi Riyals unless otherwise stated)

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that cash, bank balances and short-term deposits, receivables from policyholders/ /brokers/insurance/reinsurance companies and related parties, accounts payable, reinsurance balances payable, and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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.

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

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

Financial instrument carried at fair value	**31 December 2021**				
Investments held for trading	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Insurance operations	**39,755,154**	**37,590,842**	**2,164,312**	**-**	**39,755,154**
Shareholders' operations	**62,395,524**	**59,587,836**	**2,807,688**	**-**	**62,395,524**
	102,150,678	**97,178,678**	**4,972,000**	**-**	**102,150,678**

Financial instrument carried at fair value	31 December 2020				
Investments held for trading	Carrying value	Level 1	Level 2	Level 3	**Total**
Insurance operations	40,105,314	37,947,965	2,157,349	-	40,105,314
Shareholders' operations	61,536,115	58,737,464	2,798,651	-	61,536,115
	101,641,429	96,685,429	4,956,000	-	101,641,429

Financial instruments measured at fair value also includes investments available for sale amounting to SAR 1.93 million (2020: SAR 1.93 million) which is categorized as level 3 financial instruments.

35. RISK MANAGEMENT

a) Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors ("BOD"). The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, market risks and operational risk.

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.

Risk Management Committee
The Company has a Risk Management Committee in place. The Committee meets to review the reports of the Risk Manager to give advice and make recommendations on Company's enterprise-wide risk management to the BOD. The risks of each area are managed by the respective Line Managers and Departmental Heads. The Company continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk both currently and in future under SAMA's implementing rules and regulations. Elements of this framework include the regular identification and assessment of the key risks and controls as well as clearly defined ownership of both the risks and controls.

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

Audit Committee and Internal Audit Department
Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management and reports its findings and recommendations directly to the Audit Committee.

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

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

b) Insurance risk

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

35. RISK MANAGEMENT (CONTINUED)

b) Insurance risk (continued)

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting were necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

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

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

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

The Company has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates. The Company continually review the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with financial statements to validate reserve adequacy.

35. RISK MANAGEMENT (CONTINUED)

b) Insurance risk (continued)

ii. Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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

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

iii. Frequency and severity of claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The Company underwrites mainly property, engineering, motor, casualty, 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.

35. RISK MANAGEMENT (CONTINUED)

b) Insurance risk (continued)

iii. Frequency and severity of claims (continued)

(i) Property

Property insurance contracts, with the main perils being fire, accidental damage and other allied perils resulting therefrom, are underwritten either on a replacement value or an indemnity 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.

(ii) Engineering

The engineering business includes long tail Erection All Risks (“EAR”) and Contractor All Risk (“CAR”) policies and annual policies for Machinery Break Down (“MBD”), Machinery All Risk, Electronic Data Processing, Deterioration of Stock and Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this profitable line of business. These are amply covered under the engineering proportional and non-proportional treaties.

(iii) Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties’ properties. Further, death claims compensation have been made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

(iv) Casualty

For casualty class of insurance such as loss of money, personal accident, workmen’s compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage is the main factor that influences the level of claims.

(v) Marine

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

Reinsurance arrangements have been made with reinsurers through proportional treaties as well as non-proportional treaties.

iv. Concentration of insurance risk

The insurance risk exposure related to policyholders is mainly concentrated in the Kingdom of Saudi Arabia. However, through its underwriting strategy, the Company ensures that the portfolio is well diversified and not concentrated within few large clients. Its business is proportionally spread across all regions in the Saudi Arabia, and the Company targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (different deductibles, annual limits and sub-limits).

35. RISK MANAGEMENT (CONTINUED)

b) Insurance risk (continued)

iv. Concentration of insurance risk (continued)

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

An assumed 5% change in the claims' ratio, net of reinsurance, would impact net underwriting income as follows:

	2021	2020
Impact of change in claim ratio by 5%	**2,638,362**	927,328

c) Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at 31 December 2021 and 2020, there is no significant concentration of reinsurance balances. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

d) Market risk

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

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

35. RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

Currency risk

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

Commission rate risk

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

The Company is exposed to commission rate risk on certain of its time deposits, term deposits and investments held for trading and investments available for sale. The Company limits commission rate risk by monitoring changes in commission rates.

The following table demonstrates the sensitivity of statement of shareholders' comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of shareholders' comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at 31 December:

	Change in basis points	**Effect on statement of income**
2021	**±25**	**±669,185**
2020	±25	±643,783

Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity market. The Company does not have significant market risk.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the investment committee. The effect on the statement of income as a result of a change in the fair value of the held for trading investments at 31 December 2021 due to a reasonable possible change in the equity prices, with all other variables held as constant is as follows:

	2021		2020	
Change in equity price	**Insurance operations**	**Shareholders' operations**	Insurance operations	Shareholders' operations
+5	**1,987,758**	**3,216,380**	2,005,266	3,173,410
-5	**(1,987,758)**	**(3,216,380)**	(2,005,266)	(3,173,410)

(All amounts expressed in Saudi Riyals unless otherwise stated)

35. RISK MANAGEMENT (CONTINUED)

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 of 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 seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premium's receivable. The Company only enters into insurance and reinsurance contracts with recognised credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company's investment portfolio is managed by the investment committee 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.
- There are no significant concentrations of credit risk within the Company.

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

	Insurance operations		**Shareholders' operations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
Cash and cash equivalents	**37,267,250**	39,264,419	**148,776,635**	96,529,223	**186,043,885**	135,793,642
Term deposits	**-**	25,333,510	**57,236,755**	99,015,022	**57,236,755**	124,348,532
Premiums and insurance balances receivable, net	**151,583,164**	134,980,791	**-**	-	**151,583,164**	134,980,791
Investments held for trading	**39,755,154**	40,105,314	**62,395,524**	61,536,115	**102,150,678**	101,641,429
Investments available for sale	**-**	-	**1,932,078**	1,932,078	**1,932,078**	1,932,078
Reinsurers' share of outstanding claims	**48,128,358**	41,858,691	**-**	-	**48,128,358**	41,858,691
Other assets	**2,466,257**	3,274,642	**10,754,264**	9,864,429	**13,220,521**	13,139,071
Statutory deposit	**-**	-	**30,000,000**	20,000,000	**30,000,000**	20,000,000
Accrued income on statutory deposit	**-**	-	**2,406,669**	2,216,249	**2,406,669**	2,216,249
	279,200,183	284,817,367	**313,501,925**	291,093,116	**592,702,108**	575,910,483

(All amounts expressed in Saudi Riyals unless otherwise stated)

35. RISK MANAGEMENT (CONTINUED)

e) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- (as per S&P) and/or AAAT to Baa3 (as per Moody's). Ratings below the mentioned threshold or unrated as taken as unrated.

	2021	2020	2021	2020
	Investment Grade		Unrated	
Cash and cash equivalents	**186,043,885**	135,793,642	**-**	-
Premiums receivable – net	**-**	-	**151,583,164**	134,980,791
Reinsurers' share of outstanding claims	**48,128,358**	41,858,691	**-**	-
Investments	**104,082,756**	103,573,507	**-**	-
Term deposits	**57,236,755**	124,348,532	**-**	-
Other receivables	**13,006,100**	13,097,289	**214,421**	41,782
Statutory deposit	**30,000,000**	20,000,000	**-**	-
Accrued income on statutory deposit	**2,406,669**	2,216,249	**-**	-
	440,904,523	440,887,910	**151,797,585**	135,022,573

Liquidity risk

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

Maturity profiles

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

2021	**Up to one year**	**More than one year**	**Total**
INSURANCE OPERATIONS' FINANCIAL ASSETS			
Cash and cash equivalents	**37,267,250**	**-**	**37,267,250**
Investments held for trading	**39,755,154**	**-**	**39,755,154**
Premiums and insurance balances receivable	**151,583,164**	**-**	**151,583,164**
Reinsurers' share of outstanding claims	**48,128,358**	**-**	**48,128,358**
Reinsurers 'share of claims incurred but not reported	**48,309,514**	**-**	**48,309,514**
Other assets	**2,466,257**	**-**	**2,466,257**
	327,509,697	**-**	**327,509,697**

(All amounts expressed in Saudi Riyals unless otherwise stated)

35. RISK MANAGEMENT (CONTINUED)

e) Credit risk (continued)

Maturity profiles (continued)

2020	Up to one year	More than one year	Total
INSURANCE OPERATIONS' FINANCIAL ASSETS			
Cash and cash equivalents	39,264,419	-	39,264,419
Investments held for trading	25,333,510	-	25,333,510
Premiums and insurance balances receivable	40,105,314	-	40,105,314
Reinsurers' share of outstanding claims	123,509,235	11,471,556	134,980,791
Reinsurers 'share of claims incurred but not reported	41,858,691	-	41,858,691
Other assets	3,274,642	-	3,274,642
	273,345,811	11,471,556	284,817,367

SHAREHOLDERS FINANCIAL ASSETS		**2021**	
Cash and cash equivalents	**148,776,635**	**-**	**148,776,635**
Term deposits	**57,236,755**	**-**	**57,236,755**
Investments available for sale	**1,932,078**	**-**	**1,932,078**
Investments held for trading	**62,395,524**	**-**	**62,395,524**
Other assets	**10,754,264**	**-**	**10,754,264**
Statutory deposit	**30,000,000**	**-**	**30,000,000**
Accrued income on statutory deposit	**2,406,669**	**-**	**2,406,669**
	313,501,925	**-**	**313,501,925**

SHAREHOLDERS FINANCIAL ASSETS		2020	
Cash and cash equivalents	96,529,223	-	96,529,223
Term deposits	99,015,022	-	99,015,022
Investments available for sale	1,932,078	-	1,932,078
Investments held for trading	61,536,115	-	61,536,115
Other assets	9,864,429	-	9,864,429
Statutory deposit	20,000,000	-	20,000,000
Accrued income on statutory deposit	2,216,249	-	2,216,249
	291,093,116	-	291,093,116

INSURANCE OPERATIONS' FINANCIAL LIABILITIES		**2021**	
Gross outstanding claims	**60,486,403**	**-**	**60,486,403**
Claims incurred but not reported	**64,178,785**	**-**	**64,178,785**
Reinsurance balances payable	**85,044,497**	**-**	**85,044,497**
Accounts payable	**41,043,098**	**-**	**41,043,098**
Accrued expenses and other liabilities	**8,832,716**	**-**	**8,832,716**
Surplus distribution payable	**2,180,026**	**-**	**2,180,026**
	261,765,525	**-**	**261,765,525**

SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**3,918,843**	**-**	**3,918,843**
Accrued commission income payable	**2,406,669**	**-**	**2,406,669**
	6,325,512	**-**	**6,325,512**

(All amounts expressed in Saudi Riyals unless otherwise stated)

35. RISK MANAGEMENT (CONTINUED)

e) Credit risk (continued)

Maturity profiles (continued)

	2020		
	Up to one year	More than one year	Total
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Gross outstanding claims	51,295,966	-	51,295,966
Claims incurred but not reported	41,874,437	-	41,874,437
Reinsurance balances payable	86,038,909	-	86,038,909
Accounts payable	24,539,616	-	24,539,616
Accrued expenses and other liabilities	16,639,138	-	16,639,138
Surplus distribution payable	5,005,180	-	5,005,180
	225,393,246	-	225,393,246
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	3,477,332	-	3,477,332
Accrued commission income payable	2,216,249	-	2,216,249
	5,693,581	-	5,693,581

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

f) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

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

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

g) 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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION

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

a) Statement of financial position	**31 December 2021**			31 December 2020		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Cash and cash equivalents	**37,267,250**	**148,776,635**	**186,043,885**	39,264,419	96,529,223	135,793,642
Premiums and insurance balances receivable - net	**151,583,164**	**-**	**151,583,164**	134,980,791	-	134,980,791
Reinsurers' share of unearned premiums	**102,701,355**	**-**	**102,701,355**	100,063,940	-	100,063,940
Reinsurers' share of outstanding claims	**48,128,358**	**-**	**48,128,358**	41,858,691	-	41,858,691
Reinsurers' share of claims incurred but not reported	**48,309,514**	**-**	**48,309,514**	29,724,574	-	29,724,574
Deferred policy acquisition costs	**6,429,477**	**-**	**6,429,477**	5,630,498	-	5,630,498
Investments held for trading	**39,755,154**	**62,395,524**	**102,150,678**	40,105,314	61,536,115	101,641,429
Investments available for sale	**-**	**1,932,078**	**1,932,078**	-	1,932,078	1,932,078
Prepaid expenses and other assets	**12,299,818**	**11,098,116**	**23,397,934**	5,187,508	10,208,281	15,395,789
Term deposits	**-**	**57,236,755**	**57,236,755**	25,333,510	99,015,022	124,348,532
Property and equipment	**2,323,765**	**-**	**2,323,765**	906,441	-	906,441
Right-of-use-asset	**-**	**-**	**-**	1,078,499	-	1,078,499
Intangible asset	**2,798,598**	**-**	**2,798,598**	537,919	-	537,919
Goodwill	**-**	**43,774,750**	**43,774,750**	-	43,774,750	43,774,750
Statutory deposit	**-**	**30,000,000**	**30,000,000**	-	20,000,000	20,000,000
Accrued income on statutory deposit	**-**	**2,406,669**	**2,406,669**	-	2,216,249	2,216,249
Amounts due from insurance operations	**-**	**27,874,741**	**27,874,741**	-	42,720,852	42,720,852
TOTAL ASSETS	**451,596,453**	**385,495,268**	**837,091,721**	424,672,104	377,932,570	802,604,674
Less: inter-operations elimination	**-**	**(27,874,741)**	**(27,874,741)**	-	(42,720,852)	(42,720,852)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	**451,596,453**	**357,620,527**	**809,216,980**	424,672,104	335,211,718	759,883,822

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (CONTINUED)

a) Statement of financial position (continued)

	31 December 2021			31 December 2020		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Accounts payable	**41,043,098**	**-**	**41,043,098**	24,539,616	-	24,539,616
Accrued and other liabilities	**8,832,716**	**3,918,843**	**12,751,559**	16,639,137	3,477,332	20,116,469
Lease liabilities	**-**	**-**	**-**	1,118,664	-	1,118,664
Surplus distribution payable	**2,180,026**	**-**	**2,180,026**	5,005,180	-	5,005,180
Reinsurers' balances payable	**85,044,497**	**-**	**85,044,497**	86,038,909	-	86,038,909
Unearned premiums	**137,001,880**	**-**	**137,001,880**	130,833,967	-	130,833,967
Unearned reinsurance commission	**9,130,990**	**-**	**9,130,990**	8,340,689	-	8,340,689
Outstanding claims	**60,486,403**	**-**	**60,486,403**	51,295,966	-	51,295,966
Claims incurred but not reported	**64,178,785**	**-**	**64,178,785**	41,874,437	-	41,874,437
Additional premium reserves	**2,824,722**	**-**	**2,824,722**	5,629,118	-	5,629,118
Other technical reserves	**5,193,211**	**-**	**5,193,211**	3,882,539	-	3,882,539
End-of-service indemnities	**10,968,262**	**-**	**10,968,262**	9,336,979	-	9,336,979
Zakat and income tax	**-**	**19,305,244**	**19,305,244**	-	19,536,736	19,536,736
Accrued commission income payable to SAMA	**-**	**2,406,669**	**2,406,669**	-	2,216,249	2,216,249
Amounts due to shareholders' operations and insurance operations	**27,874,743**	**-**	**27,874,743**	42,720,852	-	42,720,852
TOTAL LIABILITIES	**454,759,333**	**25,630,756**	**480,390,089**	427,256,053	25,230,317	452,486,370
Less: inter-operations elimination	**(27,874,743)**	**-**	**(27,874,743)**	(42,720,852)	-	(42,720,852)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**426,884,590**	**25,630,756**	**452,515,346**	384,535,201	25,230,317	409,765,518
TOTAL EQUITY						
Share capital	**-**	**300,000,000**	**300,000,000**	-	200,000,000	200,000,000
Statutory reserve	**-**	**39,927,701**	**39,927,701**	-	38,495,248	38,495,248
Retained earnings	**-**	**19,936,815**	**19,936,815**	-	114,207,005	114,207,005
Re-measurement reserve of end-of-service indemnities	**(3,162,882)**	**-**	**(3,162,882)**	(2,583,949)	-	(2,583,949)
TOTAL EQUITY	**(3,162,882)**	**359,864,516**	**356,701,634**	(2,583,949)	352,702,253	350,118,304
TOTAL LIABILITIES AND EQUITY	**423,721,708**	**385,495,272**	**809,216,980**	381,951,252	377,932,570	759,883,822

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (CONTINUED)

b) Statement of income

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
REVENUE						
Gross premiums written	**290,581,787**	**-**	**290,581,787**	274,663,053	-	274,663,053
Less: Reinsurance premiums ceded						
Local	**(8,927,983)**	**-**	**(8,927,983)**	(8,036,444)	-	(8,036,444)
Foreign	**(173,056,337**	**-**	**(173,056,337)**	(173,196,833)	-	(173,196,833)
Excess of loss premiums	**(5,610,667)**	**-**	**(5,610,667)**	(4,090,828)	-	(4,090,828)
Net premiums written	**102,986,800**	**-**	**102,986,800**	89,338,948	-	89,338,948
Changes in unearned premiums	**(6,167,913)**	**-**	**(6,167,913)**	(29,806,006)	-	(29,806,006)
Changes in reinsurers' share of unearned premiums	**2,637,415**	**-**	**2,637,415**	25,867,061	-	25,867,061
Net premiums earned	**99,456,302**	**-**	**99,456,302**	85,400,003	-	85,400,003
Reinsurance commission income	**25,818,077**	**-**	**25,818,077**	22,967,031	-	22,967,031
NET REVENUES	**125,274,379**	**-**	**125,274,379**	108,367,034	-	108,367,034
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**(88,676,479)**	**-**	**(88,676,479)**	(39,476,065)	-	(39,476,065)
Expenses incurred related to claims	**(1,859,719)**	**-**	**(1,859,719)**	(2,782,993)	-	(2,782,993)
Reinsurers' share of gross claims paid	**44,409,144**	**-**	**44,409,144**	13,826,139	-	13,826,139
Net claims and other benefits paid	**(46,127,054)**	**-**	**(46,127,054)**	(28,432,919)	-	(28,432,919)
Changes in outstanding claims	**(9,190,437)**	**-**	**(9,190,437)**	(2,293,347)	-	(2,293,347)
Changes in reinsurance share of outstanding claims	**6,269,667**	**-**	**6,269,667**	4,691,453	-	4,691,453
Changes in claims incurred but not reported ("IBNR")	**(22,304,348)**	**-**	**(22,304,348)**	16,393,270	-	16,393,270
Changes in reinsurance share of IBNR	**18,584,940**	**-**	**18,584,940**	(8,905,035)	-	(8,905,035)
Net claims and other benefits incurred	**(52,767,232)**	**-**	**(52,767,232)**	(18,546,578)	-	(18,546,578)
Additional premium reserves	**2,804,396**	**-**	**2,804,396**	(2,540,473)	-	(2,540,473)
Other technical reserves	**(1,310,672)**	**-**	**(1,310,672)**	(2,081,475)	-	(2,081,475)
Policy acquisition costs	**(16,518,956)**	**-**	**(16,518,956)**	(15,981,922)	-	(15,981,922)
Other underwriting expenses	**(5,243,518)**	**-**	**(5,243,518)**	(3,894,512)	-	(3,894,512)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(73,035,982)**	**-**	**(73,035,982)**	(43,044,960)	-	(43,044,960)
NET UNDERWRITING INCOME	**52,238,397**	**-**	**52,238,397**	65,322,074	-	65,322,074

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (CONTINUED)

b) Statement of income (continued)

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
OTHER OPERATING (EXPENSES) / INCOME						
Reversal of allowance for impairment of doubtful debts	**789,398**	**-**	**789,398**	2,469,910	-	2,469,910
General and administrative expenses	**(36,717,611)**	**(5,855,144)**	**(42,572,755)**	(34,376,519)	(5,781,016)	(40,157,535)
Dividend, interest and commission income	**1,415,565**	**4,376,501**	**5,792,066**	1,744,334	5,800,527	7,544,861
Realised gains / (losses) on disposal of investments held for trading	**3,101**	**3,998**	**7,099**	(101,816)	(132,082)	(233,898)
Unrealised (losses) / gains on investments held for trading	**(843,695)**	**(1,022,019)**	**(1,865,714)**	592,066	1,097,253	1,689,319
Other income	**928,503**	**-**	**928,503**	4,169,439	-	4,169,439
TOTAL OTHER (EXPENSES) / INCOME	**(34,424,739)**	**(2,496,664)**	**(36,921,403)**	(25,502,586)	984,682	(24,517,904)
Income / (loss) before surplus, Zakat and income tax	**17,813,658**	**(2,496,664)**	**15,316,994**	39,819,488	984,682	40,804,170
Surplus transferred to shareholders	**(16,032,292)**	**16,032,292**	**-**	(35,837,539)	35,837,539	-
Net Income for the year before Zakat and tax	**1,781,366**	**13,535,628**	**15,316,994**	3,981,949	36,822,221	40,804,170
Zakat	**-**	**(5,638,068)**	**(5,638,068)**	-	(4,596,805)	(4,596,805)
Income tax	**-**	**(735,297)**	**(735,297)**	-	(1,937,429)	(1,937,429)
Net result from insurance operations after shareholders' transfer of	**1,781,366**	**7,162,263**	**8,943,629**	3,981,949	30,287,987	34,269,936
Weighted average number of outstanding shares		**30,000,000**			30,000,000	
Earnings per share for the year (restated)		**0.24**			1.01	

c) Statement of comprehensive income

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net result from insurance operations after shareholders' transfer of surplus to shareholders	**1,781,366**	**7,162,263**	**8,943,629**	3,981,949	30,287,987	34,269,936
Items that will not be reclassified to statement of income comprehensive income	**(578,933)**	**-**	**(578,933)**	(737,644)	-	(737,644)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,202,433**	**7,162,263**	**8,364,696**	3,244,305	30,287,987	33,532,292

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (CONTINUED)

d) Statement of cash flows

	31 December 2021			31 December 2020		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Cash flows from operating activities						
Net income before Zakat and income tax for the year	**1,781,366**	**13,535,628**	**15,316,994**	3,981,949	36,822,221	40,804,170
Adjustments for:						
Depreciation on property and equipment	**419,464**	**-**	**419,464**	223,731	-	223,731
Depreciation on right of use assets	**1,078,499**	**-**	**1,078,499**	1,078,500	-	1,078,500
Amortization of intangible asset	**254,569**	**-**	**254,569**	262,070	-	262,070
Gain on sale of property and equipment	**(4,000)**	**-**	**(4,000)**	(85,370)	-	(85,370)
Reversal for doubtful debts	**(789,398)**	**-**	**(789,398)**	(2,469,910)	-	(2,469,910)
Unrealised losses / (gains) on investments held for trading	**843,695**	**1,022,019**	**1,865,714**	(592,066)	(1,097,253)	(1,689,319)
Realised (gains) / losses on disposal of investments held for trading	**(3,101)**	**(3,998)**	**(7,099)**	101,816	132,082	233,898
Interest on lease liabilities	**3,563**	**-**	**3,563**	45,436	-	45,436
Provision for end-of-service indemnities	**1,445,390**	**-**	**1,445,390**	1,414,140	-	1,414,140
	5,030,047	**14,553,649**	**19,583,696**	3,960,296	35,857,050	39,817,346
Changes in:						
Premiums and insurance balances receivable	**(15,812,975)**	**-**	**(15,812,975)**	(30,365,939)	-	(30,365,939)
Reinsurers' share of unearned premiums	**(2,637,415)**	**-**	**(2,637,415)**	(25,867,061)	-	(25,867,061)
Reinsurers' share of outstanding claims	**(6,269,667)**	**-**	**(6,269,667)**	(4,691,453)	-	(4,691,453)
Reinsurers' share of claims incurred but not reported	**(18,584,940)**	**-**	**(18,584,940)**	8,905,035	-	8,905,035
Deferred policy acquisition costs	**(798,979)**	**-**	**(798,979)**	(306,821)	-	(306,821)
Prepaid expenses and other assets	**(7,112,310)**	**(889,835)**	**(8,002,145)**	(1,677,252)	3,135,112	1,457,860
Accounts payable	**16,503,482**	**-**	**16,503,482**	2,393,455	-	2,393,455
Accrued and other liabilities	**(7,806,421)**	**441,511**	**(7,364,910)**	8,113,722	47,833	8,161,555
Reinsurers' balances payable	**(994,412)**	**-**	**(994,412)**	21,231,441	-	21,231,441
Unearned premiums	**6,167,913**	**-**	**6,167,913**	29,806,006	-	29,806,006
Unearned reinsurance commission	**790,301**	**-**	**790,301**	(511,180)	-	(511,180)
Outstanding claims	**9,190,437**	**-**	**9,190,437**	2,293,347	-	2,293,347
Claims incurred but not reported	**22,304,348**	**-**	**22,304,348**	(16,393,270)	-	(16,393,270)
Additional premium reserves	**(2,804,396)**	**-**	**(2,804,396)**	2,540,473	-	2,540,473
Other technical reserves	**1,310,672**	**-**	**1,310,672**	2,081,475		2,081,475
Cash (used in) / generated from operating activities	**(1,524,315)**	**14,105,325**	**12,581,010**	1,512,274	39,039,995	40,552,269
Surplus paid to policyholders	**(4,606,520)**	**-**	**(4,606,520)**	(8,161,440)	-	(8,161,440)
Zakat and income tax paid	**-**	**(6,604,857)**	**(6,604,857)**	-	(3,498,694)	(3,498,694)
End-of-service indemnities paid	**(393,040)**	**-**	**(393,040)**	(1,225,535)	-	(1,225,535)
Net cash (used in) / generated from operating activities	**(6,523,875)**	**7,500,468**	**976,593**	(7,874,701)	35,541,301	27,666,600

(All amounts expressed in Saudi Riyals unless otherwise stated)

36. SUPPLEMENTARY INFORMATION (CONTINUED)

d) Statement of cash flows (continued)

	31 December 2021			31 December 2020		
	Insurance operations	**Shareholders' operations**	**Total**	Insurance operations	Shareholders' operations	Total
Cash flows from investing activities						
Purchase of investments held for trading	**(8,405,791)**	**(12,145,756)**	**(20,551,547)**	(11,661,873)	(15,128,556)	(26,790,429)
Proceeds from disposal of investments held for trading	**7,915,357**	**10,268,326**	**18,183,683**	10,060,269	13,050,848	23,111,117
Disposals- / (Additions) in long term deposits	**25,333,510**	**41,778,267**	**67,111,777**	(25,333,510)	33,066,751	7,733,241
Proceeds from sale of property and equipment	**4,000**	**-**	**4,000**	85,370	-	85,370
Purchase of property and equipment	**(1,836,788)**	**-**	**(1,836,788)**	(541,038)	-	(541,038)
Purchase of intangibles assets	**(2,515,248)**	**-**	**(2,515,248)**	-	-	-
Net cash generated from / (used in) investing activities	**20,495,040**	**39,900,837**	**60,395,877**	(27,390,782)	30,989,043	3,598,261
Cash flows from financing activities						
Statutory deposits	**-**	**(10,000,000)**	**(10,000,000)**	-	-	-
Payment under lease liabilities	**(1,122,227)**	**-**	**(1,122,227)**	(1,122,227)	-	(1,122,227)
Interoperation balances	**(14,846,109)**	**14,846,109**	**-**	13,816,886	(13,816,886)	-
Due to / (from) shareholders/insurance operations	**-**	**-**	**-**	3,324,349	(3,324,349)	-
Net cash (used in) / from financing activities	**(15,968,336)**	**4,846,109**	**(11,122,227)**	16,019,008	(17,141,235)	(1,122,227)
Net (decrease) / increase in cash and cash equivalents	**(1,997,171)**	**52,247,414**	**50,250,243**	(19,246,475)	49,389,109	30,142,634
Cash and cash equivalents at 1 January	**39,264,419**	**96,529,223**	**135,793,642**	58,510,894	47,140,114	105,651,008
Cash and cash equivalents at 31 December	**37,267,248**	**148,776,637**	**186,043,885**	39,264,419	96,529,223	135,793,642
NON-CASH TRANSACTIONS:						
Re-measurement reserve of defined benefit obligation	**(578,933)**	**-**	**-**	(737,644)	-	(737,644)
Additional capital through bonus shares	**-**	**100,000,000**	**-**	-	-	-

37. EVENTS AFTER THE REPORTING DATE

There were no significant events between year-end and the date of authorization of financial statements which require adjustments / disclosure in these financial statements.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors, on 12 Sha‘ban 1443H, corresponding to 15 March 2022.