WATANIYA INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended December 31, 2021

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Wataniya Insurance Company – a Saudi Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the related statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Compliance with solvency margin requirements

At December 31, 2021, the Company's solvency margin remained below the minimum solvency requirements set by the Saudi Central Bank ("SAMA"). The Company received a letter from SAMA on September 13, 2021 requiring the Company to work on adjusting the solvency margin to become at least 100%, and another letter from SAMA on December 1, 2021 to submit its rectification measures according to Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law (the "Regulations"). The Company has submitted its rectification measure to improve and sustain the solvency margin, which is principally dependent upon the successful completion of rights issue of the Company and execution of its 5 year business plan.

Management has taken the following measures towards the completion of its right issue:

- Obtaining approvals from its Board of Directors;
- Obtaining approvals from SAMA; and
- Submission of the rights issue application to the Capital Market Authority ("CMA") which was approved by the CMA subsequent to the year end on March 8, 2022.

The shareholders' approval will be sought for the rights issue in the Company's Extraordinary General Assembly.

Management has performed a detailed assessment and based on the business plan and cash flow projections, after successful completion of its rights issue, believes that the Company will be able to attain the required solvency margin.

We considered this as a key audit matter, as it involves significant management judgment with respect to successful completion of the rights issue and assumptions and estimates underlying the execution of its 5 year business plan in particular around gross written premiums and loss ratios.

</td><td>

We performed the following procedures:

- Obtained and tested management's solvency margin computation as of 31 December 2021 and checked the mathematical accuracy of the underlying calculations;

- With respect to the Company's proposed rights issue, we performed the following procedures:

  (i) Obtained minutes of the Board of Directors' meeting evidencing approval of the proposed rights issue;

  (ii) Obtained the correspondence between the Company and SAMA in respect of compliance with minimum solvency margin requirements, including the rectification plan submitted to SAMA and SAMA's approval of the same; and

  (iii) Obtained the Company's rights issue application and its subsequent approval by the CMA.

- Evaluated the reasonableness of management's assumptions and estimates underlying its 5 year business plan. This included:

  (i) Evaluating the reasonableness of the gross written premiums growth and loss ratios assumptions used by management by referring to available historical data, other market data and management's proposed initiatives to reduce loss ratios and improve business profitability;

  (ii) Testing management's cash flow projections for appropriateness and checking the mathematical accuracy of the underlying calculations; and

  (iii) Evaluating management's analysis of the sensitivity of cash flow projections, in particular in respect of the assumptions with the greatest potential effect on the test results i.e. those relating to loss ratios and successful subscription of rights issue.

</td></tr>
</table>

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Compliance with solvency margin requirements (continued) Refer to the Notes 1 and 27 of the financial statements for information related to compliance with solvency margin requirements and management's plan to address the situation.	• Assessed the adequacy and appropriateness of disclosures made in the financial statements in relation to compliance with solvency margin requirements and management's action plan to address the situation.
Valuation of ultimate claim liability arising from insurance contracts As at December 31, 2021, gross outstanding claims and reserves including claims incurred but not reported (IBNR) and premium deficiency reserve (PDR) as stated in note 8, amounted to SAR 460.4 million (2020 SAR 756.4 million). The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. Further, individual outstanding claims are estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Due to the estimation uncertainty and subjectivity involved in the assessment of valuation of ultimate claim liabilities arising from insurance contracts, we have considered this as a key audit matter.	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes; • Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves; • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence; • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilized by the management's expert in estimating the IBNR and PDR by comparing it to the accounting and other records;

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of ultimate claim liability arising from insurance contracts (continued)

Refer notes 3(c) to the financial statements for the accounting policy adopted by the Company and note 2e(i) for the significant accounting judgements, estimates and assumptions involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer note 8 for movement in outstanding claims, IBNR and PDR.</td><td>• Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Company's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following:

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

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

(iii) Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.

• Assessed the adequacy and appropriateness of the related disclosures in the financial statements.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Other Information

Management is responsible for the other information. The other information consists of the information included in the Company's 2021 annual report other than 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 other information, 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 IFRS as endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies, the Company's By-laws and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 has no realistic alternative but to do so.

Those charged with governance i.e. the Board of Directors of the Company is 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 as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

EY
Building a better working world

pwc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WATANIYA INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) (CONTINUED)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 to 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.

for Ernst & Young Professional Services

Hussain Saleh Asiri
Certified Public Accountant
Licence No. 414

for PricewaterhouseCoopers (Certified Public Accountants)

Mufaddal A. Ali
Certified Public Accountant
License No. 447

March 20, 2022 G
Corresponding to Sha'ban 17, 1443 H
Jeddah, Kingdom of Saudi Arabi

J14
EY
CR 4030276644
Ernst & Young Professional Services (Professional LLC)

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of financial position
As at December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
ASSETS			
Cash and cash equivalents	4	**42,130**	80,733
Short-term deposits	5	**191,369**	242,250
Premiums receivable – net	6	**249,526**	194,538
Due from reinsurers – net	7	**39,155**	44,039
Reinsurers' share of unearned premiums	8	**173,197**	129,371
Reinsurers' share of outstanding claims	8	**280,924**	559,837
Reinsurers' share of claims incurred but not reported	8	**30,637**	52,863
Deferred policy acquisition costs	8	**38,790**	32,299
Investments	9	**179,882**	166,952
Prepaid expenses and other assets	10	**38,493**	19,893
Property and equipment	11	**17,403**	12,371
Intangible assets	12	**44,139**	38,113
Statutory deposit	13	**20,000**	20,000
Accrued income on statutory deposit	13	**1,592**	1,469
TOTAL ASSETS		**1,347,237**	1,594,728
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Policyholders payable	14	**29,961**	22,681
Accrued expenses and other liabilities	15	**72,158**	68,699
Due to reinsurers, agents, brokers and third-party administrators	16	**139,654**	105,695
Unearned premiums	8	**392,680**	329,632
Unearned reinsurance commission	8	**29,200**	30,386
Outstanding claims	8	**373,698**	641,948
Claims incurred but not reported	8	**76,046**	101,491
Premium deficiency reserve	8	**10,696**	12,966
Additional unexpired risk reserve	8	**1,621**	203
Unallocated loss adjustment expenses	8	**4,863**	4,654
Surplus distribution payable	30(e)	**-**	2,468
Zakat and income tax payable	23	**3,873**	6,604
Accrued income on statutory deposit payable to SAMA	13	**1,592**	1,469
TOTAL LIABILITIES		**1,136,042**	1,328,896
SHAREHOLDERS' EQUITY			
Share capital	24	**200,000**	200,000
Statutory reserve	25	**15,354**	15,354
(Accumulated losses) / retained earnings		**(4,159)**	50,478
TOTAL SHAREHOLDERS' EQUITY		**211,195**	265,832
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,347,237**	1,594,728
COMMITMENTS AND CONTINGENCIES	23.3, 32	**50,780**	36,302

S.F Abbas

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of income
For the year ended December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
REVENUES			
Gross premiums written	8,19	**902,100**	785,881
Reinsurance premiums ceded	26	**(357,493)**	(308,159)
Excess of loss expenses		**(21,837)**	(14,742)
Net premiums written		**522,770**	462,980
Changes in unearned premiums	33	**(63,048)**	(69,745)
Changes in reinsurers' share of unearned premiums	33	**43,826**	24,427
Net premiums earned		**503,548**	417,662
Reinsurance commission	8.4	**49,187**	55,516
Other underwriting income		**432**	190
TOTAL REVENUES		**553,167**	473,368
COST AND EXPENSES			
Gross claims paid and loss adjustment expenses	8.1	**784,831**	344,154
Reinsurers' share of claims paid	8.1	**(406,215)**	(86,998)
Net claims paid		**378,616**	257,156
Changes in outstanding claims	33	**(268,250)**	31,525
Changes in reinsurance share of outstanding claims	33	**278,913**	(28,236)
Changes in claims incurred but not reported	33	**(25,445)**	(688)
Changes in reinsurance share of claims incurred but not reported	33	**22,226**	4,228
Net claims incurred		**386,060**	263,985
Changes in premium deficiency reserve		**(2,270)**	2,121
Changes in additional unexpired risk reserve		**1,418**	(196)
Changes in unallocated loss adjustment expenses		**209**	(360)
Policy acquisition costs	8.3	**66,977**	60,576
Other underwriting expenses	20	**27,574**	10,978
TOTAL UNDERWRITING COST AND EXPENSES		**479,968**	337,104
NET UNDERWRITING INCOME		**73,199**	136,264
OTHER OPERATING (EXPENSES) / INCOME			
Allowance for impairment of doubtful premium, reinsurers and other receivables	6, 7	**(4,996)**	(10,398)
General and administrative expenses	28	**(124,933)**	(119,453)
Commission income on deposits	22	**1,514**	2,716
Unrealized gain on investments	9.1	**3,930**	1,384
Realized gain on investments		**203**	-
Other income	29	**609**	7,179
TOTAL OTHER OPERATING EXPENSES, NET		**(123,673)**	(118,572)
Net (loss) / income before allocation		**(50,474)**	17,692
Net income attributed to the policyholders		**-**	(2,468)
Net (loss) / income for the year attributable to the shareholders before zakat and income tax		**(50,474)**	15,224
Zakat	23.2	**(3,986)**	(5,768)
Income tax	23.2	**(16)**	(1,618)
NET (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(54,476)**	7,838
(Loss) / earnings per share (expressed in SAR per share)	24	**(2.72)**	0.39

S.F Abbas

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of comprehensive income
For the year ended December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
NET (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		**(54,476)**	7,838
Other comprehensive loss			
Items that will not be reclassified to statement of income in subsequent years			
Actuarial losses on defined benefit obligations	15.2	**(161)**	(238)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		**(54,637)**	7,600

S. F. Abbas

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
For the year ended December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

For the year ended December 31, 2021

	Note	Share capital	Statutory reserve	(Accumulated losses) / retained earnings	Total
Balance at the beginning of the year		**200,000**	**15,354**	**50,478**	**265,832**
Total comprehensive loss for the year attributable to shareholders					
Net loss for the year attributable to shareholders		-	-	**(54,476)**	**(54,476)**
Actuarial losses on defined benefit obligations		-	-	**(161)**	**(161)**
Total comprehensive loss for the year attributable to shareholders		-	-	**(54,637)**	**(54,637)**
Balance at the end of the year		**200,000**	**15,354**	**(4,159)**	**211,195**

For the year ended December 31, 2020

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at the beginning of the year		200,000	13,787	44,483	258,270
Total comprehensive income for the year attributable to shareholders					
Net income for the year attributable to Shareholders		-	-	7,838	7,838
Actuarial losses on defined benefit obligations		-	-	(238)	(238)
Total comprehensive income for the year attributable to shareholders		-	-	7,600	7,600
Transfer to statutory reserve	25	-	1,567	(1,567)	-
Income tax adjustment		-	-	(38)	(38)
Balance at the end of the year		200,000	15,354	50,478	265,832

S. F. Abbas

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
For the year ended December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year attributable to the shareholders before zakat and income tax		**(50,474)**	15,224
Adjustments for non-cash items:			
Income attributable to the policyholders		**-**	2,468
Depreciation and amortisation of property, equipment and intangibles	11, 12	**7,058**	5,970
Allowance for impairment of doubtful receivables, reinsurers' receivables, salvage and subrogation recoveries	6, 7	**4,996**	10,398
Unrealized gain on investments	9.1	**(3,930)**	(1,384)
Realized gain on investments		**(203)**	-
Provision for employee benefits obligation	15.2	**3,136**	2,891
Commission income on deposits		**(1,514)**	(2,716)
		(40,931)	32,851
Changes in operating assets and liabilities:			
Premiums receivable		**(58,947)**	(51,350)
Due from reinsurers		**3,847**	95,871
Reinsurers' share of unearned premiums		**(43,826)**	(24,427)
Reinsurers' share of outstanding claims		**278,913**	(28,236)
Reinsurers' share of claims incurred but not reported		**22,226**	4,228
Deferred policy acquisition costs		**(6,491)**	(8,528)
Prepaid expenses and other assets		**(18,499)**	(2,072)
Policyholders payable		**7,280**	(130,704)
Accrued expenses and other liabilities		**4,455**	13,495
Due to reinsurers, agents, brokers and third-party administrators		**33,959**	28,796
Unearned premiums		**63,048**	69,745
Unearned reinsurance commission		**(1,186)**	5,058
Outstanding claims		**(268,250)**	31,525
Claims incurred but not reported		**(25,445)**	(688)
Premium deficiency reserve		**(2,270)**	2,121
Additional unexpired risk reserve		**1,418**	(196)
Unallocated loss adjusted expenses		**209**	(360)
		(50,490)	37,129
Surplus paid to policyholders		**(2,468)**	(2,512)
Zakat and income tax paid, net of recovery	23	**(6,733)**	(5,848)
Payment of employee benefits obligation	15.2	**(4,293)**	(1,347)
Net cash (used in) / generated from operating activities		**(63,984)**	27,422

S. F. Abbas

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

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows (continued)
For the year ended December 31, 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
CASH FLOW USED IN INVESTING ACTIVITIES			
Additions to property and equipment	11	**(8,725)**	(4,340)
Additions to intangible assets	12	**(9,391)**	(4,883)
Placements in short-term deposits		**(191,369)**	(242,250)
Proceeds from short term deposits matured		**242,250**	-
Additions to investments		**(9,000)**	(53,000)
Income received from short term deposits		**1,413**	3,077
Realized gain on investments		**203**	-
Net cash generated from / (used in) investing activities		**25,381**	(301,396)
Net decrease in cash and cash equivalents		**(38,603)**	(273,974)
Cash and cash equivalents, beginning of the year		**80,733**	354,707
Cash and cash equivalents, end of the year	4	**42,130**	80,733
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION			
Actuarial losses on defined benefit obligations adjusted against accrued expenses and other liabilities	15.2	**161**	238

S. F. Abbas

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

1 General

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 4030200981 dated 1 Jumada II 1431H (corresponding to May 15, 2010) and Ministry of Commerce and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated 21 Shawwal 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16,1430H (corresponding to October 5, 2009). The Company has obtained Saudi Central Bank ("SAMA") license number TMN/29/20106 valid up to Rajab 2,1446H (corresponding to January 2, 2025). The Company was listed on the Saudi stock exchange (Tadawul) on June 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its by-laws and applicable regulations in Saudi Arabia.

The Company has incurred a net loss attributable to the shareholders of Saudi Riyals 54.48 million for the year ended December 31, 2021 (2020: Net profit of Saudi Riyals 7.83 million), and as of that date, it has accumulated losses amounting to Saudi Riyals 4.16 million (2020: Retained earnings of Saudi Riyals 50.48 million) and the Company's solvency margin was below the minimum solvency requirements set by the SAMA (refer note 27). The Company's Board of Directors in their meeting held on September 16, 2021, recommended to increase the share capital by offering rights issue amounting to Saudi Riyals 200 million in order to immediately improve the solvency margin and to provide the financial support necessary for the Company to undertake management's proposed initiatives to reduce loss ratios and improve business profitability. The Company has received SAMA approval via letter dated November 6, 2021 relating to rights issue, subject to completion of other regulatory procedures and Company's shareholders' approval. The approval has a validity of one year from the date of the letter to complete the remaining formalities relating to the rights issue, which mainly include obtaining relevant approval from the Capital Market Authority ("CMA") in addition to the approval of the Company's shareholders in the Extraordinary General Assembly of the Company. Management has also performed a detailed assessment of its going concern assumption and based on the business plan and cash flow projections, management believes that the Company will be able to continue business and meet its obligation as they fall due over the next twelve months. Management's assessment is based on a number of estimates and assumptions including successful subscription of the rights issue, expansion in business (gross written premiums growth), improvement of loss ratios and other cost saving measures. Accordingly, these financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Subsequent to the year ended December 31, 2021, the CMA announced its approval for the rights issue on March 8, 2022.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of presentation and measurement

The financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of investment held as fair value through statement of income (FVSI) and available-for-sale investments (except where fair value cannot be measured reliably) and measurement of employees defined benefit obligations at present value using projected credit unit method. 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: Investments, Deferred policy acquisition costs, Property and equipment, Intangible assets, Outstanding claims and Technical reserves. All other financial statement line items would generally be classified as current unless stated otherwise.

2 Basis of preparation (continued)

(b) Basis of presentation and measurement (continued)

As required by the Saudi Arabian Insurance Regulations “SAMA Implementation Regulations”, the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. SAMA Implementation Regulations require a clear segregation of assets, liabilities, income and expenses of the insurance and shareholders operations. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 29 to these financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

In preparing the Company’s financial statements in compliance with IFRS as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances, transactions and unrealized gains and 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.

(c) 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 SAR has been rounded to the nearest thousands, except where otherwise indicated.

(d) Fiscal year

The Company follows a fiscal year ending December 31.

(e) Critical accounting judgments, estimates and assumptions

The preparation of these financial statements requires the use of estimates and judgments 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 judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

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. The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. 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. Refer note 31.1 for a sensitivity analysis in relation to significant assumptions.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

(e) Critical accounting judgments, estimates and assumptions (continued)

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

Estimation of premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the company's external actuary, consider the claims and premiums relationship which is expected to apply on unearned portion of the written risks, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

ii) Impairment of available-for-sale financial assets

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

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. An increase in the provision rates, keeping all other variables constant, of 5% would increase the loss before surplus attribution, zakat and income tax by Saudi Riyals 1.8 million (2020: income before surplus distribution of Saudi Riyals 2 million). A decrease of 5% would have an equal but opposite effect on the total income / (loss) before surplus attribution, zakat and income tax.

iv) Fair value of financial instruments

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

v) Going concern

As stated in note 1, the Management has performed a detailed assessment and based on the business plan and cash flow projections, management believes that the Company will be able to continue business and meet its obligation as they fall due over the next twelve months. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on the going concern basis.

3 Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020 except for the adoption of the following:

3.1 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2021:

Standard / Amendments	***Description***
Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to IFRS 16	*Covid-19 related Rent Concessions Extension*

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 9	*Financial Instruments*	*January 1, 2023*
IFRS 17	*Insurance Contracts*	*January 1, 2023*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	*January 1, 2023*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before intended use*	*January 1, 2022*
Amendments to IFRS 3	*Reference to the Conceptual Framework*	*January 1, 2022*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*	*January 1, 2022*
Annual Improvements to IFRS	*Improvements relating to:* - *IFRS 9 Financial Instruments* - *IFRS 16 Leases* - *IFRS 1 First-time Adoption of IFRS* - *IAS 41 Agriculture*	*January 1, 2022*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	*January 1, 2023*
Amendments to IAS 8	*Definition of Accounting Estimates*	*January 1, 2023*
Amendments to IAS12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	*January 1, 2023*

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements except for IFRS 9 and IFRS 17 as explained below.

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:

a) Classification and measurement

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

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

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

ii. the contractual terms of cash flows are SPPI.

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial instruments (continued)

a) Classification and measurement (continued)

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

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

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

b) 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.

c) Hedge accounting

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

Effective date

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

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

   a) the effective date of a new insurance contract standard; or

   b) annual reporting periods beginning on or after January 1, 2023. 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 profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial instruments (continued)

Effective date (continued)
The Company has performed a detailed assessment in 2019: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities.
Based on these assessments the Company determined that it is eligible for the temporary exemption as its insurance liabilities exceed 90% of total liabilities. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

Impact assessment
As at December 31, 2021, the Company has total financial assets and insurance related assets amounting to SAR 572 million (2020: SAR 592 million) and SAR 524 million (2020: SAR 774 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, deposits, held to maturity investments, premiums receivable – net, due from reinsurers - net and certain other receivables amounting to SAR 572 million (2020: SAR 592 million). Investments are carried currently at fair value through statement of income at SAR 166 million (2020: SAR 162 million). Credit risk exposure, concentration of credit risk and credit quality of the company's receivables portfolio are mentioned in notes 6 and 7. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. 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.

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:

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

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

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:

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

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

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

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

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

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services but the CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

2) The Variable Fee Approach (VFA):

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. 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 period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

2) The Variable Fee Approach (VFA) (continued):

Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of IFRS 9 temporary exemption in IFRS 4 is currently January 1, 2023. Earlier application is permitted if both IFRS 15 – 'Revenue from Contracts with Customers' and IFRS 9 – 'Financial Instruments' have also been applied. The Company intend to apply the standard on its effective date.

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 assessment

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. The Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

Impact area	Summary of impact
Financial impact	A dry run was conducted on the financial statements as at December 31, 2020. The financial impact of applying requirements of IFRS 17 compared to IFRS 4 was not significant as most of the Company's insurance and reinsurance contracts are with terms of one year or less. A more detailed review is planned for the year end financial statements of 2021.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the Company's business would qualify for measurement under the premium allocation approach.
IT systems	Due to issues with the Oracle Financial Analyzer tool (OFSAA) the agreement has been terminated. A new software Addactic has been procured by the Company. This will be implemented by the Company's appointed actuary.
Process impact	The process impact is under evaluation, but no significant process changes are anticipated. However, should the Company shift its focus to majority long term business, the process impact would be significant.
Impact on reinsurance arrangements	The Company's reinsurance arrangements have been evaluated under the requirements of the IFRS 17 standard. The initial conclusion is that the reinsurance arrangements qualify for the PAA assessment as most of the Company's reinsurance arrangements are with terms of one year or less. Accordingly, no material impact on reinsurance arrangements is expected.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance contracts (continued)

Impact assessment (continued)

Impact area	Summary of impact
Impact on policies & control's frameworks	The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the new and additional requirement: • Unbundling • Level of aggregation • Measurement models • Risk Adjustment Methodologies • New presentation and disclosure requirement The revised manual will be followed by Finance function to ensure that financial statements are in conformity with IFRS 17 on the effective date.
Human resources	The Company has recruited several key personnel, including the Financial Controller, Chief Technical Officer, who will play a key role in the IFRS 17 implementation. It has also developed a training plan and 3 training sessions have already been completed: 1- IFRS 17 overview to all stake holders 2- PAA Measurement Model 3- GMM Measurement Model Remaining sessions are planned to be competed in 2022.

The Company has started with their implementation process and have set up a proper team, supervised by a steering committee.

A dry run was conducted on the financial statements for the year 2020 as required by SAMA's phase 4 requirement. The results of IFRS 17 dry run were submitted to SAMA on November 30, 2021 and a meeting was held with SAMA for the presentation of the results on December 20, 2021. The discussion included data reconciliation, system implementation, assumptions, accounting policy choices and conversion methods. A similar presentation was done for the Audit Committee. The Company is now in the process of completing SAMA's Phase 4 second dry run.

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

a) 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 defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

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

3 Significant accounting policies (continued)

a) Insurance contracts (continued)

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

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

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

Extended Warranty insurance commences when the manufacturer warranty expires and covers all electrical and mechanical damages occurring to the vehicles, as covered in the original manufacturer warranty.

Term Life insurance is a policy that pays a pre-determined amount of money called "sum insured" at the time of the insured's death. It covers the insured for a period of time. At the expiration of the policy term no refunds or returns are allowed.

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

b) Revenue recognition

Recognition of premium and commission revenue

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

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

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 year of risk.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Commission income

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

3 Significant accounting policies (continued)

c) Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The 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.

d) 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.

e) Reinsurance contracts held

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 3(a) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income as incurred. For details please refer 3(m).

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

f) Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

3 Significant accounting policies (continued)

f) Deferred policy acquisition costs (continued)

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

g) 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.

h) Receivables

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

i) Investments

Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at fair value including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value unless fair value cannot be measured reliably. Cumulative changes in fair value of such investments are recognized in other comprehensive income in the statement of comprehensive income under “Net change in fair value – Available for sale investments”. Realized gains or losses on sale of these investments are reported in the related statements of income under “Realized gain / (loss) on investments available-for-sale investments.”

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

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

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

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

3 Significant accounting policies (continued)

i) Investments (continued)

Reclassification:

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR) method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

Held as FVSI

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

An investment may be designated at FVSI by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured. FVSI also includes investments managed by Fund manager under the discretionary portfolio of investments where all such investments are carried at fair value.

Investments at FVSI are recorded in the statement of financial position at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments. Interest income and dividend income on financial assets held as FVSI are reflected as either trading income or income from FVSI financial instruments in the statement of income.

Reclassification:

Investments at FVSI are not reclassified subsequent to their initial recognition, except that non-derivative FVSI instrument, other than those designated as FVSI upon initial recognition, may be reclassified out of the FVSI fair value through the statement of income (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

- If the financial asset would not have met the definition of loans and receivables, and then it may be reclassified out of the trading category only in ‘rare circumstances.

Held-to-maturity investments

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified under this category. These investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in value. 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 recognised in the statement of income when the investment is derecognised or impaired.

3 Significant accounting policies (continued)

j) De-recognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the Company has also transferred substantially all risks and rewards of ownership.

k) Offsetting

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

l) 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

m) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

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

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

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

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

3 Significant accounting policies (continued)

m) Impairment of financial assets (continued)

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

n) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses, if any. 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. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight-line method to allocate the cost over estimated useful lives, as follows:

	Years
Furniture and fixtures	5-10
Office equipment	3
Motor vehicles	4
Computer hardware & software	2

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.

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

o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

	Years
Software	10 - 15

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

3 Significant accounting policies (continued)

p) Leases

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

q) Impairment of non-financial assets

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

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

r) Defined benefit obligations

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labour Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

s) Provisions, accrued expenses and other liabilities

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

t) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition. Term deposits having maturities more than three months from the date of acquisition and managed directly by the Company are classified separately as short-term deposits.

u) 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)

w) Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (an operating segment), which is subject to risk and rewards that are different from those of other segments.

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

- Marine provides coverage against losses and liability related to marine vessels and marine cargo.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Accident provides coverage against money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability provide general third-party liability, product liability, workmen’s compensation/employer’s liability and professional indemnity cover protecting the insured’s legal liability arising out of acts of negligence during their business operations.
- Extended warranty provides coverage against damages to motor vehicles after the manufacturer warranty expires.
- Term life provides coverage against the insured’s death.

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

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expense and results will then include those transfers between business segments which will then be eliminated at the level of the financial statements of the Company.

x) 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.

y) Fair values

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Cash and cash equivalents

	2021	2020
Cash in hand	**20**	26
Bank balances	**34,110**	67,707
Deposits with original maturity of less than 3 months	**8,000**	13,000
	42,130	80,733

At December 31, 2021 there are no balances with any related parties (2020: SAR 80.38 million). The bank balances and deposits are with banks, registered in Saudi Arabia and are denominated in Saudi Riyals and US Dollars. The deposits have an original maturity of less than three months and yield income at rates of 0.7% per annum (2020: 0.65% per annum).

5 Short-term deposits

Short-term deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 0.75% to 0.96% per annum (2020: 0.2% to 0.9% per annum). At December 31, 2021 there are no balances with any related parties (2020: SAR 192.25 million).

6 Premiums receivable – net

	2021	2020
Receivable from policyholders	**284,689**	235,313
Impairment allowance for doubtful receivables	**(35,163)**	(40,775)
Premiums receivable – net	**249,526**	194,538

Movement in impairment allowance for doubtful receivables during the year is as follows:

	2021	2020
January 1	**40,775**	33,838
Charge for the year	**3,959**	10,625
Write-offs	**(9,571)**	(3,688)
December 31	**35,163**	40,775

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Premiums receivable – net (continued)

At December 31, the ageing analysis of premiums receivable is as follows:

			Past due but not impaired			Past due and impaired		
	Total	Neither past due nor impaired	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
December 31, 2021	**284,689**	**86,177**	**47,402**	**29,422**	**25,644**	**33,672**	**33,333**	**29,039**
December 31, 2020	235,313	50,607	28,450	23,025	13,818	40,689	48,743	29,981

Premiums receivable comprise a large number of customers mainly within the Kingdom of Saudi Arabia. The Company's terms of business generally require amounts to be paid in accordance with credit terms agreed with the customers.

Five largest customers account for 28% (2020: Five accounted for 21%) of outstanding premiums receivable as at December 31, 2021.

Management considers its external customers to be individual policyholders. One customer of the Company accounts for 15% of the gross premiums written for the year ended December 31, 2021 (2020: 17%). The total premiums attributable to the said customer was Saudi Riyals 136 million for the year (2020: Saudi Riyals 136 million), included mainly in the motor segment. It is not the practice of the Company to obtain collateral over these balances, which are therefore, unsecured

7 Due from reinsurers – net

These represent net claims due from reinsurers under facultative deals and treaty arrangements. These reinsurers are based inside and outside the Kingdom of Saudi Arabia and one reinsurance broker represents 13% (2020: One represents 30%) of the total amount due from reinsurers as at December 31, 2021.

	2021	2020
Reinsurers	**40,291**	45,039
Impairment allowance for doubtful reinsurers receivables	**(1,136)**	(1,000)
	39,155	44,039

Movement in impairment allowance for doubtful reinsurers receivables is as follows:

	2021	2020
January 1	**1,000**	1,500
Charge for the year	**1,037**	-
Write-offs	**(901)**	(500)
December 31	**1,136**	1,000

As at December 31, the ageing analysis of reinsurers receivable is as follows:

			Past due but not impaired			Past due and impaired		
	Total	Neither past due nor impaired	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
December 31, 2021	**40,291**	**5,898**	**1,663**	**2,551**	**479**	**16,485**	**10,146**	**3,069**
December 31, 2020	45,039	5,210	2,460	2,560	6,721	20,663	5,080	2,345

(All amounts in Saudi Riyals thousands unless otherwise stated

8 Technical reserves

8.1 Outstanding claims and reserves

Movement in outstanding claims and reserves comprise of the following:

	2021			**2020**		
	Gross	**Reinsurer's share**	**Net**	**Gross**	**Reinsurer's share**	**Net**
January 1	**743,439**	**612,700**	**130,739**	712,602	588,692	123,910
Claims paid	**(784,831)**	**(406,215)**	**(378,616)**	(344,154)	(86,998)	(257,156)
Claims incurred	**491,136**	**105,076**	**386,060**	374,991	111,006	263,985
December 31	**449,744**	**311,561**	**138,183**	743,439	612,700	130,739
Outstanding claims	**373,698**	**(280,924)**	**92,774**	641,948	(559,837)	82,111
Claims incurred but not reported	**76,046**	**(30,637)**	**45,409**	101,491	(52,863)	48,628
	449,744	**(311,561)**	**138,183**	743,439	(612,700)	130,739
Premium deficiency reserve	**10,696**	**-**	**10,696**	12,966	**-**	12,966
Additional unexpired risk reserve	**1,621**	**-**	**1,621**	203	**-**	203
Unallocated loss adjustment expenses	**4,863**	**-**	**4,863**	4,654	**-**	4,654
	466,924	**(311,561)**	**155,363**	761,262	(612,700)	148,562

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	For the year ended December 31, 2021		
	Gross	**Reinsurance**	**Net**
Balance at beginning of the year	**329,632**	**(129,371)**	**200,261**
Premium written during the year	**902,100**	**(379,330)**	**522,770**
Premium earned during the year	**(839,052)**	**335,504**	**(503,548)**
Balance at end of the year	**392,680**	**(173,197)**	**219,483**

	For year ended December 31, 2020		
	Gross	Reinsurance	Net
Balance at beginning of the year	259,887	(104,944)	154,943
Premium written during the year	785,881	(322,901)	462,980
Premium earned during the year	(716,136)	298,474	(417,662)
Balance at end of the year	329,632	(129,371)	200,261

8.3 Movement in deferred policy acquisition costs

Movement in deferred policy acquisition costs comprise of the following:

	2021	2020
Balance at beginning of the year	**32,299**	23,771
Costs accrued	**73,468**	69,104
Costs charged	**(66,977)**	(60,576)
Balance at end of the year	**38,790**	32,299

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Technical reserves (continued)

8.4 Movement in unearned reinsurance commission

Movement in unearned reinsurance commission comprise of the following:

	2021	2020
Balance at beginning of the year	**30,386**	25,328
Commission accrued	**48,001**	60,574
Commission earned	**(49,187)**	(55,516)
Balance at end of the year	**29,200**	30,386

9 Investments

	Note	2021	2020
Fair value through statement of income investments (FVSI)	9.1	**165,959**	162,029
Held-to-maturity investment	9.2	**12,000**	3,000
Available-for-sale investment	9.3	**1,923**	1,923
		179,882	166,952

9.1 Fair value through statement of income investments (FVSI)

Movement in FVSI is as follows:

	2021	2020
Balance at beginning of the year	**162,029**	110,645
Additions	**-**	50,000
Changes in fair value of investments	**3,930**	1,384
Balance at end of the year	**165,959**	162,029

The analysis of the composition of FVSI is as follows:

	2021	2020
Equity	**13,064**	3,617
Murabaha placements	**78,270**	77,646
Mutual funds	**45,444**	52,347
Sukuks	**29,181**	28,419
Total	**165,959**	162,029

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Investments (continued)

9.2 Held to maturity investment

	Note	2021	2020
Saudi Fransi Bank Sukuks	a	**3,000**	3,000
Saudi Real Estate Refinance Company Sukuks	b	**9,000**	-
		12,000	3,000

a) These represent 3 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 4.50% per annum. These Sukuks have a maturity duration of 5 years commencing from November 3, 2020. The Company has earned commission income of SAR 0.12 million during the year (2020: Nil).

b) These represent 5 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 2.11% per annum and 4 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 3.04% per annum. These Sukuks have a maturity duration of 7 years and 10 years, respectively. The Company has earned commission income of SAR 0.05 million during the year (2020: Nil).

9.3 Available-for-sale investment

This represents the Company's 3.85% (2020: 3.85%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at cost. In the absence of reliable financial information, management believe that fair values cannot be ascertained reliably.

9.4 All investments are from the shareholders' operations and are placed inside the Kingdom of Saudi Arabia.

10 Prepaid expenses and other assets

	Note	2021	2020
VAT receivable	32.5	**17,999**	**-**
Deferred revenue expenditure	10.1	**4,441**	**6,757**
Staff receivables		**3,224**	**4,043**
Margin deposits		**2,453**	**2,240**
Right issue expenses	10.2	**1,874**	**-**
Prepayments		**1,241**	**1,236**
Salvage and subrogation recoveries	10.3	**407**	**381**
Others		**6,854**	**5,236**
		38,493	**19,893**

10.1 This represents Minimum Deposit Premium relating to the Company's excess of loss treaties.

10.2 This represents the expenditures incurred related to the right issues which is planned to be completed in next year.

10.3 These represent receivables from salvage and subrogation recoveries from third parties:

	2021	2020
Salvage and subrogation recoveries	**659**	633
Less: impairment allowance for salvage and subrogation recoveries	**(252)**	(252)
	407	381

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Property and equipment

	Furniture and fixtures	**Office equipment**	**Motor vehicles**	**Computer hardware & software**	**Capital work in progress**	**Total**
2021						
Cost:						
January 1	13,648	2,082	599	13,995	-	**30,324**
Additions	-	516	-	2,644	5,565	**8,725**
Disposal	(3,101)	(1,014)	-	(8,701)	-	**(12,816)**
December 31	10,547	1,584	599	7,938	5,565	**26,233**
Accumulated depreciation:						
January 1	5,029	1,172	563	11,189	**-**	**17,953**
Charge for the year	1,253	346	36	2,058	**-**	**3,693**
Disposal	(3,101)	(1,014)	-	(8,701)	**-**	**(12,816)**
December 31	3,181	504	599	4,546	**-**	**8,830**
Net book value December 31, 2021	**7,366**	**1,080**	**-**	**3,392**	**5,565**	**17,403**

	Furniture and fixtures	Office equipment	Motor vehicles	Computer hardware & software	Total
2020					
Cost:					
January 1	11,088	1,779	599	12,518	25,984
Additions	2,560	303	-	1,477	4,340
December 31	13,648	2,082	599	13,995	30,324
Accumulated depreciation:					
January 1	3,873	917	449	9,477	14,716
Charge for the year	1,156	255	114	1,712	3,237
December 31	5,029	1,172	563	11,189	17,953
Net book value December 31, 2020	8,619	910	36	2,806	12,371

Capital work in progress include ongoing development project and is expected to be completed within next year.

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Intangible assets

These compromise software license fees and other related development costs.

	Software	**Capital work in progress**	**Total**
2021			
Cost:			
January 1	40,984	859	**41,843**
Additions	6,446	2,945	**9,391**
Transfers	3,804	(3,804)	**-**
December 31	51,234	-	**51,234**
Accumulated amortization:			
January 1	3,730	-	**3,730**
Charge for the year	3,365	-	**3,365**
December 31	7,095	-	**7,095**
Net book value			
December 31, 2021	**44,139**	**-**	**44,139**

	Software	Capital work in progress	Total
2020			
Cost:			
January 1	33,279	3,681	36,960
Additions	2,592	2,291	4,883
Transfers	5,113	(5,113)	-
December 31	40,984	859	41,843
Accumulated amortization:			
January 1	997	-	997
Charge for the year	2,733	-	2,733
December 31	3,730	-	3,730
Net book value			
December 31, 2020	37,254	859	38,113

13 Statutory deposit

In compliance with Article 58 of the Implementing Regulations issued by SAMA, the Company is required to maintain a deposit of not less than 10% of its share capital which is amounting to Saudi Riyals 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank. The Company cannot withdraw this deposit without SAMA's approval. Commission accruing on this deposit is payable to SAMA.

In accordance with instructions received from the SAMA vide their circular dated March 1, 2016, the Company disclosed the commission due on the statutory deposit as an asset and a liability in these financial statements.

14 Policyholders payable

Policyholders payable represent claims and surplus due to certain policyholders. One policyholder's balance comprises 20% (2020: 14%) of the outstanding balance as at December 31, 2021.

15 Accrued expenses and other liabilities

	Note	**2021**	2020
Accrued expenses		**27,122**	22,205
Employee benefits obligations	15.1	**12,863**	13,859
VAT payable		**11,254**	10,258
Provision for reinsurance's withholding tax		**6,847**	5,546
Payable to garages and workshops		**4,391**	4,244
SAMA supervision fee		**1,005**	3,217
Commission payable		**3,452**	2,477
Other liabilities		**5,224**	6,893
		72,158	68,699

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Accrued expenses and other liabilities (continued)

15.1 Employee benefits obligations

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

15.2 Movement of defined benefit obligations

	2021	2020
Opening balance	**13,859**	12,077
Charge to statement of income	**3,136**	2,891
Charge to other comprehensive income	**161**	238
Payment of benefits during the year	**(4,293)**	(1,347)
Closing balance	**12,863**	13,859

15.3 Reconciliation of present value of defined benefit obligations

	2021	2020
Opening balance	**13,859**	12,077
Current service costs	**2,856**	2,538
Financial costs	**280**	353
Actuarial loss from experience adjustments	**161**	238
Payment of benefits during the year	**(4,293)**	(1,347)
Closing balance	**12,863**	13,859

15.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of employee defined benefit obligations:

	2021	2020
Discount rate	**3.31%**	2.39%
Expected rate of increase in salary level across different age bands	**2.31%**	2.39%

15.5 Sensitivity analysis

	Impact on defined benefit obligations	
	2021	2020
Discount rate		
- Increase by 0.5%	**(567)**	(561)
- Decrease by 0.5%	**798**	613
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	**615**	610
- Decrease by 0.5%	**(569)**	(564)

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

The average remaining duration of the defined benefit plan obligation at the end of the reporting period is 10.07 years (2020: 8.3 years).

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Accrued expenses and other liabilities (continued)

15.6 Maturity analysis (Undiscounted)

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2021	**2,238**	**762**	**3,161**	**12,094**	**18,255**
December 31, 2020	2,791	1,441	1,810	11,330	17,372

16 Due to reinsurers, agents, brokers and third-party administrators

	2021	2020
Reinsurers	**110,787**	78,676
Agents and brokers	**28,114**	26,477
Third party administrator	**753**	542
	139,654	105,695

17 Claims development table

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each statement of financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the years beginning from year 2015 onwards whose claim experience has not been fully developed.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Claims development table (continued)

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

Claims development table gross of reinsurance:

Accident year	2015	2016	2017	2018	2019	2020	2021	Total
At the end of accident year	144,547	179,177	188,065	217,764	431,872	242,845	575,610	
One year later	210,024	255,094	249,690	312,449	522,064	396,865		
Two years later	216,220	263,488	359,329	319,855	922,055	-		
Three years later	220,230	264,405	260,556	324,055	-	-		
Four years later	221,480	265,259	363,882	-	-	-		
Five years later	221,841	266,123	-	-	-	-		
Six years later	222,322	-	-	-	-	-		
Ultimate paid claims (estimated)	222,322	266,123	363,882	324,055	922,055	396,865	575,610	3,070,912
Cumulative paid claims	(222,139)	(265,833)	(261,723)	(321,767)	(853,722)	(331,950)	(364,068)	(2,621,202)
	183	290	102,159	2,288	68,333	64,915	211,542	449,710
Liability in respect of years prior to 2015	-	-	-	-	-	-	-	34
Gross outstanding claims including IBNR 2021								449,744
Gross outstanding claims including IBNR 2020								743,439

Claims development table net of reinsurance:

Accident year	2015	2016	2017	2018	2019	2020	2021	Total
At the end of accident year	106,102	111,227	141,517	172,481	282,691	193,708	428,869	
One year later	139,455	141,501	174,313	237,387	341,355	265,973		
Two years later	142,382	144,972	178,048	239,771	356,673	-		
Three years later	145,811	145,773	179,113	242,473	-	-		
Four years later	146,841	145,931	180,675	-	-	-		
Five years later	147,020	146,218	-	-	-	-		
Six years later	147,304	-	-	-	-	-		
Ultimate paid claims (estimated)	147,304	146,218	180,675	242,473	356,673	265,973	428,869	1,768,185
Cumulative paid claims	(147,266)	(145,971)	(180,164)	(240,939)	(351,123)	(251,937)	(312,614)	(1,630,014)
	38	247	511	1,534	5,550	14,036	116,255	138,171
Liability in respect of years prior to 2015	-	-	-	-	-	-	-	12
Net outstanding claims including IBNR 2021								138,183
Net outstanding claims including IBNR 2020								130,739

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Fair values of financial instruments

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

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

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

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. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end. There are no transfers between Level 1, Level 2 and Level 3 during the year.

The following table shows the carrying value and fair value of financial assets measured at fair value at December 31, 2021 and 2020:

		Fair value		
December 31, 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Equity	**13,064**	**13,064**	**-**	**-**
Mutual funds	**45,444**	**37,934**	**7,510**	**-**
Sukuks	**29,181**	**-**	**29,181**	**-**
Murabaha placements	**78,270**	**-**	**-**	**78,270**
	165,959	**50,998**	**36,691**	**78,270**

		Fair value		
December 31, 2020	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Equity	3,617	3,617	-	-
Mutual funds	52,347	52,347	-	-
Sukuks	28,419	-	28,419	-
Murabaha placements	77,646	-	-	77,646
	162,029	55,964	28,419	77,646

Significant unobservable inputs used in the valuation of level 3 investments include the valuation report based on the assumptions about interest rates for Murabaha placements as confirmed by the discretionary portfolio manager.

Available-for-sale investment amounting to SAR 1.9 million (2020: SAR 1.9 million) is carried at cost as its fair value cannot be measured reliably.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Gross premiums written

Year ended December 31, 2021:

	Corporate					
Classes	***Very small***	***Small***	***Medium***	***Large***	***Individual***	***Total***
Property & accident	8,976	39,143	114,303	238,508	4,095	405,025
Motor	12,288	44,527	75,136	252,285	66,881	451,117
Protection & savings (Term life)	184	2,061	10,692	33,021	-	45,958
Total	**21,448**	**85,731**	**200,131**	**523,814**	**70,976**	**902,100**

Year ended December 31, 2020:

	Corporate					
Classes	*Very small*	*Small*	*Medium*	*Large*	*Individual*	*Total*
Property & accident	6,297	46,191	110,327	129,445	5,305	297,565
Motor	10,142	73,752	66,158	214,005	63,769	427,826
Protection & savings (Term life)	139	2,675	8,187	49,489	-	60,490
Total	16,578	122,618	184,672	392,939	69,074	785,881

20 Other underwriting expenses

This includes VAT on reinsurance commission income of SAR 7.06 million (2020: SAR 5.23 million) and Najm fee for motor insurance services of SAR 20.51 million (2020: SAR 5.75 million). Effective July 2020, Najm for Insurance Services Company started to charge fee on motor premium written basis which was previously charged on each motor claim.

21 Operating segments

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess its performance.

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2020.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders payable, accrued expenses and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax payable, and accrued income on statutory deposit payable to SAMA. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to CODM under related segments and are monitored on a centralized basis.

For management reporting purposes, the Company is organised into business units on the basis of products and services offered by the Company.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Operating segments (continued)

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
For the year ended December 31, 2021								
Revenues								
Gross premiums written	47,400	167,861	451,117	96,687	69,304	23,773	45,958	**902,100**
Reinsurance premiums ceded	(32,376)	(138,962)	68	(84,863)	(58,933)	(15,926)	(26,501)	**(357,493)**
Excess of loss expenses	(3,552)	(7,104)	(8,498)	(2,683)	-	-	-	**(21,837)**
Net premiums written	11,472	21,795	442,687	9,141	10,371	7,847	19,457	**522,770**
Change in unearned premiums	(2,840)	(7,268)	(706)	(31,865)	(9,705)	(10,583)	(81)	**(63,048)**
Change in reinsurers share of unearned premiums	1,033	2,674	(1,287)	29,673	7,731	3,948	54	**43,826**
Net premiums earned	9,665	17,201	440,694	6,949	8,397	1,212	19,430	**503,548**
Reinsurance commissions	7,166	22,743	194	8,519	6,868	3,597	100	**49,187**
Other underwriting income	83	22	258	12	44	-	13	**432**
Total revenues	**16,914**	**39,966**	**441,146**	**15,480**	**15,309**	**4,809**	**19,543**	**553,167**
Cost and expenses								
Gross claims paid and loss adjustment expenses	6,942	36,162	362,648	335,034	1,419	6,350	36,276	**784,831**
Reinsurer's share of claims paid	(5,649)	(29,786)	(2,549)	(331,970)	(932)	(6,350)	(28,979)	**(406,215)**
Net claims paid	**1,293**	**6,376**	**360,099**	**3,064**	**487**	**-**	**7,297**	**378,616**
Changes in outstanding claims	9,191	28,833	6,858	(322,024)	7,646	(32)	1,278	**(268,250)**
Changes in reinsurance share of outstanding claims	(7,749)	(26,700)	2,160	319,767	(7,293)	32	(1,304)	**278,913**
Changes in claim incurred but not reported	(2,149)	2,617	(3,166)	(19,221)	2,772	-	(6,298)	**(25,445)**
Changes in reinsurance share of claims incurred but not reported	1,957	(2,058)	1,573	18,751	(3,035)	-	5,038	**22,226**
Net claims incurred	**2,543**	**9,068**	**367,524**	**337**	**577**	**-**	**6,011**	**386,060**
Changes in premium deficiency reserve	-	-	(2,270)	-	-	-	-	**(2,270)**
Changes in additional unexpired risk reserve	-	-	-	639	779	-	-	**1,418**
Changes in unallocated loss adjusted expenses	(1)	186	8	(290)	437	-	(131)	**209**
Policy acquisition costs	4,328	12,693	29,177	6,846	5,224	3,366	5,343	**66,977**
Other underwriting expenses	1,119	2,890	20,537	1,613	997	403	15	**27,574**
Total underwriting cost and expenses	**7,989**	**24,837**	**414,976**	**9,145**	**8,014**	**3,769**	**11,238**	**479,968**
Net underwriting income	**8,925**	**15,129**	**26,170**	**6,335**	**7,295**	**1,040**	**8,305**	**73,199**
Other operating (expenses) / income								
Allowance for impairment of doubtful premium, reinsurers and other receivables								**(4,996)**
General and administrative expenses								**(124,933)**
Commission income on deposits								**1,514**
Unrealized gain on investments								**3,930**
Realized gain on investments								**203**
Other income								**609**
Total other operating expenses, net								**(123,673)**
Net loss for the year attributable to the shareholders, before zakat and income tax								**(50,474)**
Zakat								**(3,986)**
Income tax								**(16)**
Net loss for the year attributable to the shareholders								**(54,476)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Operating segments (continued)

	Marine	Property	Motor	Engineer-ing	Accident & liability	Extended warranty	Term life	Total
For the year ended December 31, 2020								
Revenues								
Gross premiums written	43,222	123,282	427,826	59,011	48,807	23,243	60,490	785,881
Reinsurance premiums ceded	(31,813)	(112,083)	(6,164)	(54,815)	(40,467)	(23,243)	(39,574)	(308,159)
Excess of loss expenses	(3,335)	(2,887)	(6,915)	(1,425)	(180)	-	-	(14,742)
Net premiums written	8,074	8,312	414,747	2,771	8,160	-	20,916	462,980
Change in unearned premiums	6,220	(8,655)	(41,019)	(1,499)	(7,992)	(15,605)	(1,195)	(69,745)
Change in reinsurers share of unearned premiums	(5,563)	8,397	(2,383)	1,037	8,652	15,605	(1,318)	24,427
Net premiums earned	8,731	8,054	371,345	2,309	8,820	-	18,403	417,662
Reinsurance commissions	9,402	19,357	1,280	11,549	6,620	2,654	4,654	55,516
Other underwriting income	80	20	41	11	28	-	10	190
Total revenues	18,213	27,431	372,666	13,869	15,468	2,654	23,067	473,368
Cost and expenses								
Gross claims paid and loss adjustment expenses	11,596	8,614	247,972	7,640	6,233	4,627	57,472	344,154
Reinsurer's share of claims paid	(8,598)	(8,022)	(6,410)	(7,005)	(4,999)	(4,627)	(47,337)	(86,998)
Net claims paid	2,998	592	241,562	635	1,234	-	10,135	257,156
Changes in outstanding claims	(5,412)	53,039	(1,095)	(7,414)	(6,917)	4	(680)	31,525
Changes in reinsurer share of outstanding claims	4,097	(48,941)	1,017	7,711	6,751	(4)	1,133	(28,236)
Changes in claims incurred but not reported	(1,790)	6,541	4,835	(2,899)	(4,002)	-	(3,373)	(688)
Changes in reinsurer share of claims incurred but not reported	1,407	(6,522)	(459)	2,905	3,589	-	3,308	4,228
Net claims incurred	1,300	4,709	245,860	938	655	-	10,523	263,985
Changes in premium deficiency reserve	-	-	2,121	-	-	-	-	2,121
Changes in additional unexpired risk reserve	-	-	-	(196)	-	-	-	(196)
Changes in unallocated loss adjustment expenses	198	421	(1,244)	317	83	-	(135)	(360)
Policy acquisition costs	5,180	10,809	25,151	6,148	3,990	1,917	7,381	60,576
Other underwriting expenses	755	1,996	5,869	1,076	660	288	334	10,978
Total underwriting cost and expenses	7,433	17,935	277,757	8,283	5,388	2,205	18,103	337,104
Net underwriting income	10,780	9,496	94,909	5,586	10,080	449	4,964	136,264
Other operating (expenses) / income								
Allowance for impairment of doubtful premium, reinsurers and other receivables								(10,398)
General and administrative expenses								(119,453)
Commission income on deposits								2,716
Unrealized gain on investments								1,384
Other income								7,179
Total other operating expenses, net								(118,572)
Net income for the year								17,692
Net income attributed to the policyholders								(2,468)
Net income for the year attributable to the shareholders, before zakat and income tax								15,224
Zakat								(5,768)
Income tax								(1,618)
Net income for the year attributable to the shareholders								7,838

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Operating segments (continued)

	Marine	**Property**	**Motor**	**Engineer-ing**	**Accident & liability**	**Extended warranty**	**Term life**	**Total**
As at December 31, 2021								
Assets								
Reinsurers' share of unearned premiums	9,763	36,547	-	50,842	27,849	42,458	5,738	**173,197**
Reinsurers' share of outstanding claims	13,168	85,169	134	63,352	111,615	9	7,477	**280,924**
Reinsurers' share of claims incurred but not reported	491	10,648	615	3,943	11,229	-	3,711	**30,637**
Deferred policy acquisition costs	1,504	4,460	10,599	6,051	2,573	12,473	1,130	**38,790**
Unallocated assets								**823,689**
Total assets								**1,347,237**
Liabilities								
Unearned premiums	14,123	44,348	188,415	55,072	31,958	49,093	9,671	**392,680**
Unearned reinsurance commission	2,003	5,063	-	8,310	2,743	11,081	-	**29,200**
Outstanding claims	16,685	92,657	76,882	65,043	113,575	9	8,847	**373,698**
Claims incurred but not reported	627	11,471	42,320	4,072	12,917	-	4,639	**76,046**
Premium deficiency reserve			10,696					**10,696**
Additional unexpired risk reserve	-	-	-	842	779	-	-	**1,621**
Unallocated loss adjustment expenses	317	743	2,423	242	975	-	163	**4,863**
Unallocated liabilities								**247,238**
Total liabilities								**1,136,042**

	Marine	Property	Motor	Engineer-ing	Accident & Liability	Extended Warranty	Term life	Total
As at December 31, 2020								
Assets								
Reinsurers' share of unearned premiums	8,730	33,873	1,287	21,169	20,118	38,510	5,684	129,371
Reinsurers' share of outstanding claims	5,419	58,469	2,294	383,118	104,322	41	6,174	559,837
Reinsurers' share of claims incurred but not reported	2,447	8,590	2,188	22,694	8,195	-	8,749	52,863
Deferred policy acquisition costs	1,074	3,641	11,860	2,875	1,972	9,741	1,136	32,299
Unallocated assets								820,358
Total assets								1,594,728
Liabilities								
Unearned premiums	11,283	37,080	187,709	23,207	22,253	38,510	9,590	329,632
Unearned reinsurance commission	2,133	6,094	200	4,949	3,417	13,487	106	30,386
Outstanding claims	7,493	63,824	70,024	387,067	105,929	41	7,570	641,948
Claims incurred but not reported	2,778	8,854	45,486	23,292	10,144	-	10,937	101,491
Premium deficiency reserve	-	-	12,966		-	-	-	12,966
Additional unexpired risk reserve	-	-	-	203	-	-	-	203
Unallocated loss adjustment expenses	319	556	2,415	532	538	-	294	4,654
Unallocated liabilities								207,616
Total liabilities								1,328,896

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Related party transactions and balances

22.1 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The Company in the normal course of business carries out transactions with its related parties. The transactions with related parties are made on terms agreed with those related parties and the transactions are approved by the Board of Directors.

The significant transactions with related parties and the related amounts are as follows:

Related party	Nature of transactions	For the year ended December 31, 2021	For the year ended December 31, 2020
Board members	- Fees and related expenses	**1,712**	1,450
Key management personnel	- Remuneration and related expenses	**10,487**	10,538
	- Long term employee benefits accrued	**530**	506
	- Loans and advances	**-**	652
	- End of service benefits paid	**932**	-
Major shareholders	- Gross premium written	**3,705**	2,437
	- Claims paid	**1,180**	1,136
	- Facultative premiums ceded	**1,519**	1,801
	- Facultative claims recovered	**273**	295
	- Facultative commission received	**37**	295
	- Expenses incurred	**5,395**	5,055
	- Commission income on deposits	**925**	2,678
Entities controlled, jointly controlled or significantly influenced by major shareholders	- Gross premium written	**46,853**	36,750
	- Claims paid	**11,401**	10,513
	- Expenses incurred	**1,906**	617
	- Capital expenditure incurred	**1,785**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Related party transactions and balances (continued)

22.2 Related party balances

	2021	2020
Major shareholders		
Premium's receivable	**32**	530
Claims payable	**12**	30
Cash and cash equivalents	**-**	80,379
Short-term deposits	**-**	192,250
Amounts due for facultative transactions	**523**	174
Income tax receivable from foreign shareholders	**-**	359
Statutory deposit placed with a shareholder	**-**	20,000
Accrued income on statutory deposit with a shareholder	**-**	1,469
Entities controlled, jointly controlled, or significantly influenced by major shareholders Other related parties		
Premium's receivable	**7,957**	12,191
Claims payable	**1,652**	1,011
Amount due to a related party for expenses	**2**	-
Employee benefits payable to key management personnel	**2,890**	3,312
Advances due from key management personnel	**284**	627

A key shareholder with a 20% stake in the Company's equity has disposed of its shares prior to December 31, 2021. Accordingly, their balances were not classified as related parties' balances as of December 31, 2021. However, transactions with this predecessor shareholder are disclosed as related party' transactions given that the disposal took place at the end of 2021.

23 Zakat and income tax

23.1 Components of zakat base

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are shareholders' equity at the beginning of the year, adjusted net income and certain other items. Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the Zakat, Tax and Customs Authority (ZATCA) which could be different from the declaration filed by the Company.

	2021	2020
Shareholders' equity, at beginning of year	**202,669**	192,256
Provisions, at beginning of year	**45,665**	37,886
Adjusted net (loss) / income for the year	**(39,103)**	22,073
Statutory deposit	**(15,248)**	(14,888)
Property and equipment and intangible assets, as adjusted	**(46,919)**	(37,580)
Others	**2,902**	(5,488)
Approximate zakat base	**149,966**	194,259

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Zakat and income tax (continued)

23.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2021	**5,113**	**1,491**	**6,604**
Provision for the current year	**3,873**	**-**	**3,873**
Adjustment for prior years	**113**	**16**	**129**
Payments during the year	**(5,016)**	**(1,054)**	**(6,070)**
Payment for prior years	**(210)**	**(453)**	**(663)**
December 31, 2021	**3,873**	**-**	**3,873**

	Zakat	Income tax	Total
January 1, 2020	4,669	1,184	5,853
Provision for the current year	4,999	1,453	6,452
Other adjustments	769	165	934
Payments during the year	(5,324)	(1,311)	(6,635)
December 31, 2020	5,113	1,491	6,604

Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year attributable to Saudi shareholders.

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company, less allowances for foreign shareholders' share in the losses carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations. No provision for income tax has been made for the year as the company has incurred a taxable loss.

The shareholding percentage subject to zakat and income tax is as follows:

	2021 **%**	2020 %
Zakat share in capital	**76.24**	75.33
Zakat share in profit	**76.24**	75.34
Income tax share in capital	**23.76**	24.67
Income tax share in profit	**23.76**	24.66

No deferred tax has been recognized on the accumulated losses as it is not certain that the taxable income would be available in near future to utilize the deferred taxes.

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Zakat and income tax (continued)

23.3 Status of assessments

Year ended December 31, 2011 and 2012

The Tax and zakat position were finalized as the Higher Appeal Committee (HAC) ruled in favor of the Company.

Year ended December 31, 2013

The Tax and zakat position may be considered finalized under the Statute of Limitation.

Year ended December 31, 2014 to 2018

The ZATCA had issued assessments claiming additional taxes and Zakat amounting to SAR 0.82 million and SAR 0.29 million, respectively, which was duly accepted and settled by the Company.

During 2019, the Company had received an assessment for the 2018 withholding tax liability in which the ZATCA had imposed additional taxes, including penalties aggregating to SAR 11.37 million. Management believes that the assessment raised is without merit and has appealed against this assessment. The Company's initial appeal was rejected by the ZATCA and was escalated to the General Secretariat of Tax Committee ("GSTC") online portal to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes ("CRTVD"). On August 5, 2021 the CRTVD issued its summary decision in which CRTVD agreed with the ZATCA's revised assessments. On September 21, 2021, the Company received the decision from CRTVD where the revised withholding tax liability was assessed to SAR 9.75 million in addition to its penalties. The Company appealed against the CRTVD decision and escalated its objection to the Advanced Committee for Tax Violations and Dispute Resolution ("ACTVDR") and the Company is waiting to receive the ACRTVD decision. The management believes that the Company has a strong position and the Company's view should prevail.

Year ended December 31, 2019 and 2020

The ZATCA had issued assessment for the year ended December 31, 2019 and 2020 claiming additional tax amounting to SAR 0.45 million and additional zakat amounting to SAR 0.21 million, which was duly accepted and settled by the Company. The tax and Zakat matters till year ended December 31, 2020 may be considered finalized.

The Company has filed its tax returns up to December 31, 2020 with the ZATCA and has a certificate valid till April 30, 2022.

24 Share capital and earnings per share

The authorized, issued and paid-up capital of the Company is SAR 200 million divided into 20 million shares of SAR 10 each (2020: SAR 200 million divided into 20 million shares of SAR 10 each).

(Loss) / earnings per share for the year have been calculated by dividing the net (loss) / income for the year attributable to the shareholders by the weighted average number of ordinary shares at the statement of financial position date. Diluted earnings per share is not applicable to the Company.

25 Statutory reserves

As required by the Implementing Regulations issued by SAMA, 20% of the net income for the year after adjusting accumulated losses, has to be set aside from net income for the year as a statutory reserve until this amounts to 100% of the paid-up share capital. During the year, as the Company has incurred losses no transfers has been made to the statutory reserve (2020: SAR 1.57 million). This reserve is not available for distribution to the shareholders until the liquidation of the Company.

26 Reinsurance premiums ceded

	2021	2020
Local companies	**26,735**	13,285
Local brokers	**271,036**	241,629
International	**59,722**	53,245
	357,493	308,159

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 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 Company's solvency margin as at December 31, 2021 remained below the minimum solvency requirements set by SAMA. The Company received a letter from SAMA on September 13, 2021 requiring the Company to work on adjusting the solvency margin to become at least 100%, and another letter from SAMA on December 1, 2021 to submit its rectification measures according to Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The Company has submitted its rectification plan to improve and sustain the solvency margin. Management is at present taking following active steps to restore solvency to the minimum level:

- Increasing the share capital by issuing rights issue of Saudi Riyals 200 million
- Increasing the revenue by offering new products and expanding into the current lines of business
- Controlling the loss ratios across different lines of business
- Cost reduction measures with focus on automation and digitalization

Also, see Note 1 for further details.

28 General and administration expenses

	Note	**2021**	2020
Salaries and benefits		**75,500**	72,755
Information technology		**14,674**	12,146
Legal and professional fees		**6,349**	8,555
Depreciation and amortization	11, 12	**7,058**	5,970
Office expenses		**4,946**	5,066
Regulatory fees		**2,539**	4,314
Taxes accrued		**3,343**	2,350
Directors' expenses	22	**1,712**	1,450
Others		**8,812**	6,847
		124,933	119,453

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Other income

	2021	2020
Profit commission	**-**	3,751
Share of surplus from Al Manafeth (Note 29.1)	**424**	1,236
Share of surplus from Umrah & Hajj scheme (Note 29.2)	**185**	2,192
	609	7,179

29.1 This represents the Company's share in the surplus arising from the Al Manafeth Third Party Liability Insurance Fund (the Fund). The Company with twenty-four other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with ‘The Company for Cooperative Insurance’ (“CCI”) effective from January 1, 2015, initially for three years, for participating in the insurance of foreign vehicles entering Saudi Arabia through all its borders except from the Kingdom of Bahrain. As per the agreement, CCI will receive 4.25 percent of Fund’s gross written premiums to cover the related indirect expense along with 15 percent management fee of the net results of the Fund’s portfolio. The remaining results after the aforesaid distribution is due to be shared equally by the CCI and above mentioned twenty five insurance companies including the Company. The agreement is renewed for the years 2019 and 2020. There is no renewal to the agreement in 2021 as the aforementioned arrangement has been discontinued.

29.2 This represents the Company's share in the surplus for general accident product arising from the Umrah scheme. The Company with twenty-seven other insurance companies operating in the Kingdom of Saudi Arabia, entered into an agreement with CCI effective from January 1, 2020. The compulsory Umrah product is offered by the ministry and approved by SAMA for insurance of pilgrims coming from outside of the Kingdom of Saudi Arabia except for citizens of the Gulf Cooperation Council countries. This covers general accidents and health benefits of the pilgrims entering the Kingdom of Saudi Arabia to perform Umrah. The agreement terms are for 4 years starting from January 1, 2020 and it is renewable for another four years subject to the terms and conditions of the agreement.

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information

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

a) Statement of financial position

	December 31, 2021			December 31, 2020		
	Insurance operations	**Share-holders' operations**	**Total**	Insurance operations	Share-holders' operations	Total
ASSETS						
Cash and cash equivalents	**33,864**	**8,266**	**42,130**	66,930	13,803	80,733
Short-term deposits	**191,369**	**-**	**191,369**	242,250	-	242,250
Premiums receivable – net	**249,526**	**-**	**249,526**	194,538	-	194,538
Due from reinsurers – net	**39,155**	**-**	**39,155**	44,039	-	44,039
Reinsurers' share of unearned premiums	**173,197**	**-**	**173,197**	129,371	-	129,371
Reinsurers' share of outstanding claims	**280,924**	**-**	**280,924**	559,837	-	559,837
Reinsurers' share of claims incurred but not reported	**30,637**	**-**	**30,637**	52,863	-	52,863
Deferred policy acquisition costs	**38,790**	**-**	**38,790**	32,299	-	32,299
Investments	**-**	**179,882**	**179,882**	-	166,952	166,952
Prepaid expenses and other assets	**36,180**	**2,313**	**38,493**	19,522	371	19,893
Due from shareholder / insurance operations	**56,427**	**-**	**56,427**	-	21,763	21,763
Property and equipment	**-**	**17,403**	**17,403**	-	12,371	12,371
Intangible assets	**-**	**44,139**	**44,139**	-	38,113	38,113
Statutory deposit	**-**	**20,000**	**20,000**	-	20,000	20,000
Accrued income on statutory deposit	**-**	**1,592**	**1,592**	-	1,469	1,469
TOTAL OPERATIONS' ASSETS	**1,130,069**	**273,595**	**1,403,664**	1,341,649	274,842	1,616,491
Less: Inter-operations eliminations	**(56,427)**	**-**	**(56,427)**	-	(21,763)	(21,763)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	**1,073,642**	**273,595**	**1,347,237**	1,341,649	253,079	1,594,728

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information (continued)

a) Statement of financial position (continued)

	December 31, 2021			December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
LIABILITIES		-				
Policyholders payable	**29,961**		**29,961**	22,681	-	22,681
Accrued expenses and other liabilities	**71,650**	**508**	**72,158**	67,762	937	68,699
Due to shareholder / insurance operations	**-**	**56,427**	**56,427**	21,763	-	21,763
Due to reinsurers, agents, brokers and third-party administrators	**139,654**	-	**139,654**	105,695	-	105,695
Unearned premiums	**392,680**	-	**392,680**	329,632	-	329,632
Unearned reinsurance commission	**29,200**	-	**29,200**	30,386	-	30,386
Outstanding claims	**373,698**	-	**373,698**	641,948	-	641,948
Claims incurred but not reported	**76,046**	-	**76,046**	101,491	-	101,491
Premium deficiency reserve	**10,696**	-	**10,696**	12,966	-	12,966
Additional unexpired risk reserve	**1,621**	-	**1,621**	203	-	203
Unallocated loss adjustment expenses	**4,863**	-	**4,863**	4,654	-	4,654
Surplus distribution payable	**-**	-	**-**	2,468	-	2,468
Zakat and income tax payable	**-**	**3,873**	**3,873**	-	6,604	6,604
Accrued income on statutory deposit	**-**	**1,592**	**1,592**	-	1,469	1,469
TOTAL OPERATIONS' LIABILITIES	**1,130,069**	**62,400**	**1,192,469**	1,341,649	9,010	1,350,659
Less: Inter-operations eliminations	**-**	**(56,427)**	**(56,427)**	(21,763)	-	(21,763)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**1,130,069**	**5,973**	**1,136,042**	1,319,886	9,010	1,328,896
SHAREHOLDERS' EQUITY						
Share capital	**-**	**200,000**	**200,000**	-	200,000	200,000
Statutory reserve	**-**	**15,354**	**15,354**	-	15,354	15,354
(Accumulated losses) / retained earnings	**-**	**(4,159)**	**(4,159)**	-	50,478	50,478
TOTAL SHAREHOLDERS' EQUITY	**-**	**211,195**	**211,195**	-	265,832	265,832
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,130,069**	**217,168**	**1,347,237**	1,319,886	274,842	1,594,728

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information (continued)

b) Statement of income

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
REVENUES						
Gross premiums written	**902,100**	**-**	**902,100**	785,881	-	785,881
Reinsurance premiums ceded	**(357,493)**	**-**	**(357,493)**	(308,159)	-	(308,159)
Excess of loss expenses	**(21,837)**	**-**	**(21,837)**	(14,742)	-	(14,742)
Net premiums written	**522,770**	**-**	**522,770**	462,980	-	462,980
Changes in unearned premiums	**(63,048)**	**-**	**(63,048)**	(69,745)	-	(69,745)
Changes in reinsurer share of unearned Premiums	**43,826**	**-**	**43,826**	24,427	-	24,427
Net premiums earned	**503,548**	**-**	**503,548**	417,662	-	417,662
Reinsurance commissions	**49,187**	**-**	**49,187**	55,516	-	55,516
Other underwriting income	**432**	**-**	**432**	190	-	190
TOTAL REVENUES	**553,167**	**-**	**553,167**	473,368	-	473,368
COST AND EXPENSES						
Gross claims paid and loss adjustment expenses	**784,831**	**-**	**784,831**	344,154	-	344,154
Reinsurers' share of claims paid	**(406,215)**	**-**	**(406,215)**	(86,998)	-	(86,998)
Net claims paid	**378,616**	**-**	**378,616**	257,156	-	257,156
Changes in outstanding claims	**(268,250)**	**-**	**(268,250)**	31,525	-	31,525
Changes in reinsurers share of outstanding claims	**278,913**	**-**	**278,913**	(28,236)	-	(28,236)
Changes in incurred but not reported	**(25,445)**	**-**	**(25,445)**	(688)	-	(688)
Changes in reinsurance share of claims incurred but not reported	**22,226**		**22,226**	4,228	-	4,228
Net claims incurred	**386,060**	**-**	**386,060**	263,985	-	263,985
Changes in premium deficiency reserve	**(2,270)**	**-**	**(2,270)**	2,121	-	2,121
Changes in additional unexpired risk reserve	**1,418**	**-**	**1,418**	(196)	-	(196)
Changes in unallocated loss adjustment expenses	**209**	**-**	**209**	(360)	-	(360)
Policy acquisition costs	**66,977**	**-**	**66,977**	60,576	-	60,576
Other underwriting expenses	**27,574**	**-**	**27,574**	10,978	-	10,978
TOTAL UNDERWRITING COSTS AND EXPENSES	**479,968**	**-**	**479,968**	337,104	-	337,104
NET UNDERWRITING INCOME	**73,199**	**-**	**73,199**	136,264	-	136,264

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information (continued)

b) Statement of income (continued)

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for impairment of doubtful premiums, reinsurers and other receivables	**(4,996)**	**-**	**(4,996)**	(10,398)	-	(10,398)
General and administrative expenses	**(115,239)**	**(9,694)**	**(124,933)**	(110,626)	(8,827)	(119,453)
Commission income on deposits	**1,457**	**57**	**1,514**	2,265	451	2,716
Unrealized gain on investments	**-**	**3,930**	**3,930**	-	1,384	1,384
Realized gain on investment	**-**	**203**	**203**	-	-	-
Other income	**609**	**-**	**609**	7,179	-	7,179
TOTAL OTHER OPERATING EXPENSES, NET	**(118,169)**	**(5,504)**	**(123,673)**	(111,580)	(6,992)	(118,572)
NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS	**(44,970)**	**(5,504)**	**(50,474)**	24,684	(6,992)	17,692
Deficit / (surplus) to Shareholders operations (note e)	**44,970**	**(44,970)**	**-**	(22,216)	22,216	-
(Loss) / profit before zakat and income tax	**-**	**(50,474)**	**(50,474)**	2,468	15,224	17,692
Zakat	**-**	**(3,986)**	**(3,986)**	-	(5,768)	(5,768)
Income tax	**-**	**(16)**	**(16)**	-	(1,618)	(1,618)
Net (loss) / income for the year	**-**	**(54,476)**	**(54,476)**	2,468	7,838	10,306
(Loss) / earnings per share (expressed in SAR per share)	**-**	**(2.72)**	**-**	-	0.39	-

c) Statement of comprehensive income

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
Net (loss) / income for the year	**-**	**(54,476)**	**(54,476)**	2,468	7,838	10,306
Other comprehensive loss						
Items that will not be reclassified to statements of income in subsequent years						
Actuarial losses on defined benefit obligations	**-**	**(161)**	**(161)**	-	(238)	(238)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	**-**	**(54,637)**	**(54,637)**	2,468	7,600	10,068
Less: Net income attributable to insurance operations			**-**			(2,468)
			(54,637)			7,600

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information (continued)

d) Statement of cash flow

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income for the year attributable to shareholders before zakat and income tax	**-**	**(50,474)**	**(50,474)**	-	15,224	15,224
Adjustments for non-cash items:						
Income attributable to policyholders	**-**	**-**	**-**	2,468	-	2,468
Depreciation and amortisation of property and equipment and intangibles	**-**	**7,058**	**7,058**	-	5,970	5,970
Shareholders share of (deficit) / surplus from insurance operations	**(44,970)**	**44,970**	**-**	22,216	(22,216)	-
Allowance for impairment of doubtful receivables, reinsurers' receivables, salvage and subrogation recoveries	**4,996**	**-**	**4,996**	10,398	-	10,398
Unrealized gain on investments	**-**	**(3,930)**	**(3,930)**	-	(1,384)	(1,384)
Realized gain on investments		**(203)**	**(203)**	-	-	-
Provision for employee benefits obligation	**3,136**	**-**	**3,136**	2,891	-	2,891
Commission income on deposits	**(1,457)**	**(57)**	**(1,514)**	(2,265)	(451)	(2,716)
	(38,295)	**(2,636)**	**(40,931)**	35,708	(2,857)	32,851
Changes in operating assets and liabilities:						
Premium's receivable	**(58,947)**	**-**	**(58,947)**	(51,350)	-	(51,350)
Due from reinsurers	**3,847**	**-**	**3,847**	95,871	-	95,871
Reinsurers' share of unearned premiums	**(43,826)**	**-**	**(43,826)**	(24,427)	-	(24,427)
Reinsurers' share of outstanding claims	**278,913**	**-**	**278,913**	(28,236)	-	(28,236)
Reinsurers' share of claims incurred but not reported	**22,226**	**-**	**22,226**	4,228	-	4,228
Deferred policy acquisition costs	**(6,491)**	**-**	**(6,491)**	(8,528)	-	(8,528)
Prepaid expenses and other assets	**(16,557)**	**(1,942)**	**(18,499)**	(2,979)	907	(2,072)
Policyholders payable	**7,280**	**-**	**7,280**	(130,704)	-	(130,704)
Accrued and other liabilities	**4,884**	**(429)**	**4,455**	12,732	763	13,495
Due to reinsurers, agents, brokers and third-party administrators	**33,959**	**-**	**33,959**	28,796	-	28,796
Unearned premiums	**63,048**	**-**	**63,048**	69,745	-	69,745
Unearned reinsurance commission	**(1,186)**	**-**	**(1,186)**	5,058	-	5,058
Outstanding claims	**(268,250)**	**-**	**(268,250)**	31,525	-	31,525
Claims incurred but not reported	**(25,445)**	**-**	**(25,445)**	(688)	-	(688)
Premium deficiency reserve	**(2,270)**	**-**	**(2,270)**	2,121	-	2,121
Additional unexpired risk reserve	**1,418**	**-**	**1,418**	(196)	-	(196)
Due to shareholder operations	**(33,059)**	**33,059**	**-**	(20,269)	20,269	-
Unallocated loss adjustment expenses	**209**	**-**	**209**	(360)	-	(360)
	(78,542)	**28,052**	**(50,490)**	18,047	19,082	37,129
Surplus paid to policyholders	**(2,468)**	**-**	**(2,468)**	(2,512)	-	(2,512)
Zakat and income tax paid net of recovery	**-**	**(6,733)**	**(6,733)**	-	(5,848)	(5,848)
Payment of employee benefits obligation	**(4,293)**	**-**	**(4,293)**	(1,347)	-	(1,347)
Net cash (used in) / generated from operating activities	**(85,303)**	**21,319**	**(63,984)**	14,188	13,234	27,422

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Supplementary information (continued)

d) Statement of cash flows (continued)

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Insurance operations	**Share holders' operations**	**Total**	Insurance operations	Share holders' operations	Total
CASH FLOWS USED IN INVESTING ACTIVITIES						
Additions to property and equipment	**-**	**(8,725)**	**(8,725)**	-	(4,340)	(4,340)
Additions intangible assets	**-**	**(9,391)**	**(9,391)**	-	(4,883)	(4,883)
Placements in short-term deposits	**(191,369)**	**-**	**(191,369)**	(242,250)	-	(242,250)
Proceeds from short term deposits	**242,250**	**-**	**242,250**	-	-	-
Additions to investments	**-**	**(9,000)**	**(9,000)**	-	(53,000)	(53,000)
Income received from short term deposits	**1,356**	**57**	**1,413**	2,638	439	3,077
Realized gain on investments	**-**	**203**	**203**	-	-	-
Net cash generated from / (used in) investing activities	**52,237**	**(26,856)**	**25,381**	(239,612)	(61,784)	(301,396)
Net change in cash and cash equivalents	**(33,066)**	**(5,537)**	**(38,603)**	(225,424)	(48,550)	(273,974)
Cash and cash equivalents, beginning of the year	**66,930**	**13,803**	**80,733**	292,354	62,353	354,707
Cash and cash equivalents, end of the year	**33,864**	**8,266**	**42,130**	66,930	13,803	80,733
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION						
Actuarial loses on defined benefit obligations adjusted against accrued expenses and other liabilities	**-**	**161**	**161**	-	238	238

e) As required by the Implementing Regulations and the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	100%

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

31 Risk management

Risk governance

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

Risk management structure:
A cohesive organizational 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 centralized oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Audit committee and internal audit department:
The internal audit department performs risk assessments with senior management annually. The internal audit department examines both adequacy of procedures and the Company's compliance with the procedures through regular audits. Audit findings and recommendations are reported directly to the Audit Committee.

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.

Risk management committee:
The Board of Directors of the Company has constituted a Risk Management Committee, which oversees the risk management function of the Company and report to Board on a periodic basis. This committee operates under framework established by the Board of Directors.

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

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

31.1 Insurance risk

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Risk management (continued)

31.1 Insurance risk (continued)

(a) 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 risks through the measures described above. The Company has limited its risk by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 10% of shareholders' equity on a gross basis and 2% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of shareholders' equity. The Board of Directors may decide to increase or decrease the maximum tolerances based on market conditions and other factors. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at the statement of financial position date:

2021	**Gross unearned premiums**	**Net unearned premiums**	**Gross outstanding claims**	**Net outstanding claims**
Marine	4%	2%	5%	4%
Property	11%	3%	25%	8%
Motor	48%	86%	21%	83%
Engineering	14%	2%	17%	2%
Accident and liability	8%	2%	30%	2%
Extended warranty	13%	3%	-	-
Term life	2%	2%	2%	1%
Total	100%	100%	100%	100%

2020	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims
Marine	3%	1%	1%	3%
Property	11%	2%	10%	6%
Motor	57%	93%	11%	82%
Engineering	7%	1%	60%	5%
Accident and liability	7%	1%	17%	2%
Extended warranty	12%	-	-	-
Term Life	3%	2%	1%	2%
Total	100%	100%	100%	100%

(b) Concentration of insurance risk

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

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

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

31 Risk management (continued)

31.1 Insurance risk (continued)

(c) Sources of uncertainty in estimation of future claim payments

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..

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 details of estimation uncertainty of outstanding claims (including IBNR) are given in note 2.

(d) Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. For details please refer note 2(e)(i).

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 analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at 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, 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, additional unexpired risk reserves, 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 year of the contracts and expectations of future events that are believed to be reasonable.

31 Risk management (continued)

31.1 Insurance risk (continued)

(d) Process used to decide on assumptions (continued)

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims' liabilities provided in the financial statements. The insurance claim liabilities are sensitive to 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.

(e) 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 December 31, 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.

31.2 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 Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The Company stipulates diversification benchmarks by type of instrument and geographical area.
- There is strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent levels and is consistent with the available capital. While the Board of Directors 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. 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Risk management (continued)

31.2 Market risk (continued)

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

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure. The Company has transactions in Saudi Riyals and US Dollars which are pegged and hence there is no currency risk exposure to the Company.

(b) Commission rate risk

Commission rate risk is the risk that the value of future cash flows of a financial instrument will change because of change in market commission rates.

The Company invests in securities and has deposits that are subject to commission rate risk. Commission rate risk to the Company is the risk of changes in commission rates reducing the overall return on its fixed commission rate bearing securities. The Commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments.

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2021 and 2020 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
2021	**276,869**	**40,938**	**115,574**	**433,381**
2020	332,537	31,436	145,962	509,935

An increase or decrease of 100 basis points in interest yields would result in a increase / (decrease) in the profit for the year of SAR 3.2 million (2020: SAR 3.6 million).

(c) Other price risk

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

The Company’s investments amounting to SAR 58.5 million (2020: SAR 56.0 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

The impact of hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company’s profit would be as follows:

	Fair value change	Effect on Company’s profit / (loss)
December 31, 2021	+ / - 10%	+ / - 5,851
December 31, 2020	+ / - 10%	+ / - 5,600

The Company has an unquoted equity investment amounting to SAR 1.9 million (2020: SAR 1.9 million) carried at cost where the impact of changes in equity price risk will only be reflected when the investment is sold or deemed to be impaired and statement of income will be then impacted.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Risk management (continued)

31.3 Credit risk

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

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

	2021	2020
Financial assets		
Cash and cash equivalents	**42,130**	80,733
Short-term deposits	**191,369**	242,250
Premiums receivable, net	**249,526**	194,538
Due from reinsurers, net	**39,155**	44,039
Reinsurers' share of outstanding claims	**280,924**	559,837
Investments, net of equity investments and mutual funds	**119,451**	109,064
Statutory deposit	**20,000**	20,000
Accrued income on statutory deposit	**1,592**	1,469
Staff and other receivables	**10,485**	9,660
	954,632	1,261,590

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the management's best estimate. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade satisfactory or past due but not impaired.

		Non-investment grade			
2021	***Investment grade***	***Satisfactory***	***Past due but not impaired***	***Past due and impaired***	***Total***
Cash and cash equivalents	**42,130**	**-**	**-**	**-**	**42,130**
Short-term deposits	**191,369**	**-**	**-**	**-**	**191,369**
Premium's receivable	**-**	**86,177**	**102,468**	**60,881**	**249,526**
Due from reinsurers	**-**	**5,898**	**4,693**	**28,564**	**39,155**
Reinsurers' share of outstanding claims	**-**	**280,924**	**-**	**-**	**280,924**
Investments, net of equity and mutual funds	**115,001**	**4,450**	**-**	**-**	**119,451**
Statutory deposit	**20,000**	**-**	**-**	**-**	**20,000**
Accrued income on statutory deposit	**1,592**	**-**	**-**	**-**	**1,592**
Staff and other receivables	**-**	**10,485**	**-**	**-**	**10,485**
December 31, 2021	**370,092**	**387,934**	**107,161**	**89,445**	**954,632**

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Risk management (continued)

31.3 Credit risk (continued)

2020	Investment grade	Non-investment grade: Satisfactory	Non-investment grade: Past due but not impaired	Non-investment grade: Past due and impaired	Total
Cash and cash equivalents	80,733	-	-	-	80,733
Short-term deposits	242,250	-	-	-	242,250
Premium's receivable	-	50,607	65,293	78,638	194,538
Due from reinsurers	-	5,210	11,741	27,088	44,039
Reinsurers' share of outstanding claims	-	559,837	-	-	559,837
Investments, net of equity and mutual funds	105,219	3,845	-	-	109,064
Statutory deposit	20,000	-	-	-	20,000
Accrued income on statutory deposit	1,469	-	-	-	1,469
Staff and other receivables	-	9,660	-	-	9,660
December 31, 2020	449,671	629,159	77,034	105,726	1,261,590

Credit quality of investment grade assets as at December 31:

	2021	2020
A and above	63,386	53,294
A-	20,370	19,834
BBB+	284,507	374,719
BBB-	1,829	1,824
	370,092	**449,671**

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. All of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified, and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. Also see note 6.

31.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collections and payments are strictly monitored and reconciled on regular basis. The Company manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing in liquid financial assets.

- The Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Risk management (continued)

31.4 Liquidity risk (continued)

The Company's catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The table below summarizes the maturities of the Company's undiscounted contractual obligations relating to financial liabilities as of December 31:

Financial liabilities	**Less than 12 months**	**More than 12 months**	**Total**
Outstanding claims	**317,698**	**56,000**	**373,698**
Due to reinsurers, agents, brokers and third-party administrators	**139,654**	**-**	**139,654**
Policyholder payable	**29,961**	**-**	**29,961**
Accrued expenses and other liabilities	**59,295**	**12,863**	**72,158**
Accrued income on statutory deposit	**-**	**1,592**	**1,592**
December 31, 2021	**546,608**	**70,455**	**617,063**

Financial liabilities	Less than 12 months	More than 12 months	Total
Outstanding claims	266,948	375,000	641,948
Due to reinsurers, agents, brokers and third-party administrators	105,695	-	105,695
Policyholder payable	22,681	-	22,681
Accrued expenses and other liabilities	54,840	13,859	68,699
Accrued income on statutory deposit	-	1,469	1,469
December 31, 2020	450,164	390,328	840,492

Insurance contract liabilities amounting to Saudi Riyals 93.23 million (2020: 119.31 million) which include Claims incurred but not reported, Premium deficiency reserve, Additional unexpired risk reserve and Unallocated loss adjustment expenses have a maturity of less than 12 months.
To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:
- Fair value through income statement investments includes investments in mutual funds and Murhaba deposits and are held for cash management purposes and expected to be matured/ settled within 12 months from the balance sheet date.
- Murabaha deposits classified as 'cash and cash equivalents' are deposits placed with high credit rating financial institutions with maturity of less than three months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers share of outstanding claims mainly pertain to property and casualty segment and are generally realized within 6 to 9 months based on settlement of claims.

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

31 Risk management (continued)

31.5 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 operations of the Company are subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to maintain the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In management view, the Company has substantially complied with such regulatory requirements.

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 yearly 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.

32 Commitments and contingencies

32.1 The Company's banks have issued payment guarantees of SAR 2.41 million (2020: SAR 2.24 million) to its suppliers on behalf of the Company.

32.2 The Company is a defendant in a case that was filed by a client amounting to SAR 19 million (2020: SAR 19 million). The preliminary decision of the Primary Committee for Resolution of Insurance Disputes and Violations ruled in favour of the Company and dismissed the case brought by the claimant. The Appeal Committee for Settlement of Insurance of Insurance Disputes and Violations has issued a verdict which cancels the preliminary decision and decided to return the case to the Primary Committee for Resolution of Insurance Disputes and Violations for consideration and review. Management believes that the case is without merit and has therefore not taken any provisions there against.

32.3 See note 23.3 for zakat and tax related contingencies.

32.4 The Company has not discounted any letters of credit issued in its favour by a customer (2020: SR. 3.7 million).

32.5 During the year, ZATCA issued various VAT assessments to the Company for approximately SAR 18 million which included VAT liabilities and penalties amounting to SAR 7.9 million and 10.1 million, respectively in respect of VAT Returns filed in 2018, 2019 and 2020. The assessments were issued primarily in connection with compensatory recovery amounts received by the Company relating to motor insurance claims from third parties.

ZATCA has asserted that these recoveries were related to supplies made by the Company and therefore subject to VAT at the prevailing rate. The Company has treated these recoveries as out of scope for VAT purposes. Management believes the ZATCA assessments are without merit and has filed objections against these assessment with ZATCA on December 23, 2021 and is awaiting the decision. Management also believes that the Company has a strong position and the Company's view should prevail. The Company has paid the full amount including fines along with obligations to avoid penalties from ZATCA.

.

(All amounts in Saudi Riyals thousands unless otherwise stated)

32 Commitments and contingencies (continued)

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

33 Comparative figures

Following comparative figures have been reclassified and regrouped on the face of statement of income to confirm to the current year presentation:

For the year ended December 31, 2020	As previously reported	Restatement	Restated amount
Changes in unearned premiums	(45,318)	(24,427)	(69,745)
Changes in reinsurers' share of unearned premiums	-	24,427	24,427
Changes in outstanding claims	3,289	28,236	31,525
Changes in reinsurance share of outstanding claims	-	(28,236)	(28,236)
Changes in claims incurred but not reported	3,540	(4,228)	(688)
Changes in reinsurance share of claims incurred but not reported	-	4,228	4,228

Such reclassification restatements have not resulted in any additional impact on equity, income, or total comprehensive income for comparative year.

34 Impact of COVID-19

In response to the spread of the COVID-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company during the year 2021 and 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to COVID-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the COVID-19 pandemic has had no material effect on the Company's reported financial results for the year ended December 31, 2021 including the significant accounting judgements and estimates.

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

35 Approval of the financial statements

These financial statements have been approved by the Board of Directors on March 13, 2022 corresponding to 10 Sha'ban 1443 H.