Article two & three:

- Review and discuss the financial statements for the year ended 31 December 2022.

- Voting on the auditor's report for the fiscal year that ended 31 December 2022.



ميدغلف
MEDGULF

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

INDEX	PAGE
INDEPENDENT AUDITORS' REPORT	1-6
STATEMENT OF FINANCIAL POSITION	7-8
STATEMENT OF INCOME	9
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF CHANGES IN EQUITY	11
STATEMENT OF CASH FLOWS	12
NOTES TO THE FINANCIAL STATEMENTS	13-75

Crowe
Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
Member Crowe Global

AlKharashi & Co.
Certified Accountants And Auditors

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, (A Saudi Joint Stock Company) (the "Company"), which comprise of Statement of financial position as at 31 December 2022, statements of income, statements of comprehensive income and the statements of changes in shareholders' equity and cash flows for the year then ended, and the accompanying notes which form an integral part of these financial statements.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the accompanying financial statements, which states that the Company did not meet the solvency margin requirements as at 31 December 2022. The deficiency in solvency margin along with other matters as set forth in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the accompanying financial statements are prepared using the going-concern assumption based on management's assessment on the company abilities to continue as a going concern. Our opinion is not modified with respect to this matter.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key audit matter	How our audit addressed the key audit matter
Valuation of ultimate claim liabilities arising from insurance contracts	
As at 31 December 2022, gross outstanding claims, claims incurred but not reported (IBNR) and others amounted to Saudi Riyals 684.83 million, Saudi Riyals 734.28 million and Saudi Riyals 171.67 million respectively as reported in Note 11 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgment. A range of actuarial methods are used by the actuary to determine these technical reserves. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter since use of management assumptions and judgements could result in material over / understatement of the Company's profitability. *The Company's policies for claims and related judgments and estimates are disclosed in note 5 and 6 to the financial statements respectively. Liabilities for outstanding claims including IBNR and claims incurred have been disclosed in note 11 to the financial statements. Segment wise disclosure of claim related liabilities and expense have been disclosed in note 32 to the financial statements.*	We understood and evaluated key controls around the claims handling and technical reserve setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilized by the Company's actuary in estimating the IBNR by comparing it to accounting records. In order to assess management's methodologies and assumptions, we were assisted by our actuarial expert to understand and evaluate the Company's actuarial practices and the technical reserves established. In order to obtain comfort over the Company's actuarial report, our expert actuarial performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We assessed these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters ***(Continued)***

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill	
At 31 December 2022, the Company had goodwill amounting to Saudi Riyals 480 million, which represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Management reviews goodwill for impairment annually, and assesses the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. As per IAS 36, an impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. As management believes that Fair value less cost to sell analysis provides higher value compared to value in use, therefore, Fair value less cost to sell analysis are used for impairment valuation. Management uses its expert to perform fair value less cost to sell analysis that use market approach to determine the need for impairment. In arriving at the valuation under market approach, the expert applied certain judgments and factors including trends in share prices, stock index liquidity, book price multiple, comparable companies' analysis and comparable transaction analysis, etc. We considered this as a key audit matter as the estimation of recoverable value of the CGU involve the application of management judgment and estimation. *Refer to the significant accounting policies note 5 to the financial statements, note 6 which explains the valuation methodology used by the Company and critical judgment and estimates.*	We evaluated the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their relationship with the entity. We evaluated the source data of significance to the management's expert's work for relevance, completeness and accuracy by performing the following procedures: - Inquired of the expert to determine how the expert has obtained satisfaction that the data used is relevant, complete and accurate; - Reviewed the data for completeness and internal consistency; and - Agreed the data to supporting documentation. We involved our specialists and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used. We reviewed the annual operating plans and ensured they were consistently applied in the goodwill impairment assessment conducted by the management. We gained an understanding and evaluated methods and assumptions that are significant to the management's expert's work for their relevance and reasonableness by reviewing the expert's report and cross checked their consistency with other audit evidence.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Other information included in the Company's 2022 Annual Report

The Board of Directors of the Company (the Directors) are responsible for the other information in the Company's annual report. Other information consists of the information included in the Company's 2022 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 do not and will not express any form of assurance conclusion thereon.

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

When we read the 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 Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), the applicable requirements of the Regulations for Companies, the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia and the Company's by-laws and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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 "ISAs" 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 ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

Report on Other Legal and Regulatory Requirements

As at year end, the solvency margin reached to approximately 14% (31 December 2021: 110%) which is a non-compliance of Article 68 of Implementation Regulations for Insurance Companies to maintain it to required margin. In compliance with the Implementation Regulations for Insurance Companies, the Company has taken certain remedial measures on immediate basis that include significant underwriting and pricing measures, improved recoveries from major policy holders and other cost saving measures (refer note 2).

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. Al Azem
Certified Public Accountant
License No. 335

AlKharashi & Co. Certified Accountants And Auditors
P. O. Box 8306
Riyadh 11482
Kingdom of Saudi Arabia

Abdullah S Al Msned
Certified Public Accountant
License No. 456

26 April 2023
06 Shawwal 1444H

العظم و السديري و آل الشيخ وشركاؤهم
للإستشارات المهنية - عضو كرو الدولية
C.R. 1010466353
سجل تجاري ١٠١٠٤٦٦٣٥٣
Al Azem, Al Sudairy, Al shaikh & Partners
For Professional Consulting - M.C.Global R

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 س ت
Certified Accountants & Auditors
AL-Kharashi Co.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Notes	SAR '000 December 31, 2022 (Audited)	SAR '000 December 31, 2021 (Audited)
ASSETS			
Cash and cash equivalents	7	**430,931**	597,682
Short term deposits	8	**231,240**	50,000
Premium and reinsurers' receivable, net	9	**644,748**	838,577
Reinsurers' share of unearned premiums	15	**200,416**	260,855
Reinsurers' share of outstanding claims	11 a	**378,746**	546,540
Reinsurers' share of claims incurred but not reported	11 a	**123,270**	179,028
Deferred policy acquisition costs	16	**119,936**	49,897
Due from related parties, net	10	**4,384**	1,994
Prepayment and other assets, net	14	**384,727**	231,611
Available for sale investments	13 b	**756,714**	662,439
Right of use assets, net	17	**3,624**	8,129
Property and equipment, net	18	**47,579**	46,464
Intangible assets, net	18	**24,380**	12,108
Statutory deposit	19	**157,500**	120,000
Investment in an associate	12	**12,147**	11,799
Accrued commission on statutory deposit	29	**31,648**	28,158
Goodwill	20	**480,000**	480,000
TOTAL ASSETS		**4,031,990**	4,125,281

Mr. Rakan Abdullah Abunayyan
Chairman of the Board of Directors

Mr. Umar Abdulrahman AlMahmoud
Acting Chief Executive Officer

Mr.Georgi Markov
Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)
AS AT DECEMBER 31, 2022

	Notes	SAR '000 December 31, 2022 (Audited)	SAR '000 December 31, 2021 (Audited)
LIABILITIES			
Accrued expenses and other liabilities	21	**238,808**	265,167
Accounts and commission payable		**122,512**	256,861
Lease liability	22	**3,633**	8,534
Reinsurers' balances payable		**175,060**	155,259
Gross unearned premiums	15	**1,161,869**	897,653
Unearned reinsurance commission	24	**14,576**	18,034
Gross outstanding claims	11 a	**684,833**	743,807
Claims incurred but not reported	11 a	**734,281**	463,364
Premium deficiency reserve	11 b	**129,934**	77,810
Other technical reserves	11 b	**41,737**	65,942
Due to related parties	10	**1,259**	2,048
End of service indemnities	23	**33,787**	28,770
Surplus distribution payable		**5,516**	82,762
Zakat & income tax	27	**4,289**	14,025
Deferred tax liability	27	**3,188**	2,438
Accrued commission income payable to SAMA	29	**31,648**	28,158
TOTAL LIABILITIES		**3,386,930**	3,110,632
EQUITY			
Share capital	28 a	**1,050,000**	1,050,000
Share premium		**70,000**	70,000
Statutory reserve		**26,135**	26,135
Accumulated losses		**(462,817)**	(147,611)
Re-measurement of defined benefit liability – employees benefits	23	**(18,596)**	(9,557)
Fair values reserve on investments		**(19,662)**	25,682
TOTAL EQUITY		**645,060**	1,014,649
TOTAL LIABILITIES AND EQUITY		**4,031,990**	4,125,281

COMMITMENTS AND CONTINGENCIES 31

Mr. Rakan Abdullah Abunayyan	Mr. Umar Abdulrahman AlMahmoud	Mr. Georgi Markov
Chairman of the Board of Directors	Acting Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	December 31, 2022 (Audited) SAR'000	December 31, 2021 (Audited) SAR'000
REVENUES			
Gross premiums written			
-Direct	15	2,854,602	2,236,222
-Reinsurance		-	-
		2,854,602	2,236,222
Reinsurance premiums ceded			
-Local		(26,826)	(182,477)
-Abroad		(357,023)	(591,001)
		(383,849)	(773,478)
Excess of loss expenses – local		(1,835)	(3,837)
Excess of loss expenses – foreign		(19,491)	(58,453)
Net written premiums		2,449,427	1,400,454
Changes in unearned premiums, net		(324,655)	165,942
Net premiums earned		2,124,772	1,566,396
Re-insurance commissions	24	5,383	127,333
TOTAL REVENUES		2,130,155	1,693,729
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	11 a	(2,161,603)	(2,150,490)
Expenses incurred related to claims	11 a	(43,309)	(22,141)
Hospital discount	11 a	106,424	108,080
Reinsurers' share of claims paid	11 a	372,570	624,777
Net claims and other benefits paid		(1,725,918)	(1,439,774)
Changes in outstanding claims, net		(108,820)	14,223
Changes in incurred but not reported claims, net		(326,675)	67,883
Net claims and other benefits incurred		(2,161,413)	(1,357,668)
Change in premium deficiency reserve	11 b	(52,124)	(46,355)
Change in other technical reserves	11 b	24,206	(38,648)
Policy acquisition costs	16 a, b	(180,178)	(96,525)
TOTAL UNDERWRITING COSTS AND		(2,369,509)	(1,539,196)
NET UNDERWRITING (LOSS) / INCOME		(239,354)	154,533
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of doubtful debts		1,168	24,514
General and administrative expenses	25	(251,485)	(368,615)
Special commission income		25,755	15,341
Income from investment in associate	12	3,920	3,771
Realized gain on available for sale investment		29,033	22,501
Dividend income		6,784	7,558
Other income	26	100,232	4,809
TOTAL OTHER OPERATING (EXPENSES)/ INCOME		(84,593)	(290,121)
NET (LOSS) / INCOME FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		(323,947)	(135,588)
Net income attributed to insurance operation		-	-
NET (LOSS) FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		(323,947)	(135,588)
Zakat and income tax			
Current zakat and income tax reversal/(expense)		9,491	(4,000)
Deferred tax		(750)	(1,000)
Net (loss) for the year		(315,206)	(140,588)
(Loss) per share			
(Loss) per share (SAR per share)	28 b	(3.00)	(1.34)

Mr. Rakan Abdullah Abunayyan	Mr. Umar Abdulrahman AlMahmoud	Mr. Georgi Markov
Chairman of the Board of Directors	Acting Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	SAR'000 December 31, 2022 (Audited)	SAR'000 December 31, 2021 (Audited)
Net (loss) for the year		**(315,206)**	(140,588)
Other comprehensive (loss) / income			
Item that will not be reclassified to statement of income in subsequent period			
-Re-measurement of employees end of service indemnities	23	**(9,039)**	(4,052)
Items that are or may be reclassified to statement of income in subsequent periods			
Available for sale investments			
- Net change in fair values, insurance operations	13 a	**(789)**	287
- Net change in fair values, shareholders' operations	13 b	**(44,555)**	(13,241)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		**(369,589)**	(157,594)

Mr. Rakan Abdullah Abunayyan	Mr. Umar Abdulrahman AlMahmoud	Mr. Georgi Markov
Chairman of the Board of Directors	Acting Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022
(SAR in '000')

	Notes	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2022 (Audited)		**1,050,000**	**70,000**	**26,135**	**(147,611)**	**25,682**	**(9,557)**	**1,014,649**
Total comprehensive loss for the year								
Net loss for the year end		-	-	-	**(315,206)**	-		**(315,206)**
-Actuarial losses on defined benefits obligation		-	-	-	-	-	**(9,039)**	**(9,039)**
-Change in fair values	13	-	-	-		**(45,344)**	-	**(45,344)**
Balance as at December 31, 2022 (Audited)		**1,050,000**	**70,000**	**26,135**	**(462,817)**	**(19,662)**	**(18,596)**	**645,060**

		Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2021 (Audited)		800,000	-	26,135	(99,569)	38,636	(5,505)	759,697
Capital reduction		(100,000)	-	-	100,000	-	-	-
Capital increase		350,000	70,000	-	-	-	-	420,000
Transaction cost related to Capital raise		-	-	-	(7,454)	-	-	(7,454)
Total comprehensive loss for the year								
Net loss for the year end		-	-	-	(140,588)	-	-	(140,588)
-Actuarial losses on defined benefits obligation		-	-	-	-	-	(4,052)	(4,052)
-Change in fair values	13	-	-	-	-	(12,954)	-	(12,954)
Balance as at December 31, 2021 (Audited)		1,050,000	70,000	26,135	(147,611)	25,682	(9,557)	1,014,649

Mr. Rakan Abdullah Abunayyan
Chairman of the Board of Directors

Mr. Umar Abdulrahman AlMahmoud
Acting Chief Executive Officer

Mr. Georgi Markov
Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	SAR '000 December 31, 2022 (Audited)	SAR '000 December 31, 2021 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year before zakat and income tax		**(323,947)**	(135,588)
Adjustments for non-cash items:			
Depreciation and amortization	18	**13,418**	10,099
Depreciation for Right of use assets	17	**7,895**	-
Realized gain on investments		**(29,033)**	(22,501)
Share of profit from associate	12	**(3,920)**	(3,771)
Reversal of allowance for doubtful debts	9	**(1,168)**	(24,514)
Reversal of write-off on other	26	**(4,272)**	-
Finance cost on lease liability	22	**211**	401
Provision for end of service indemnities	23	**6,157**	5,120
		(334,659)	(170,754)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		**193,829**	52,920
Reinsurers' share of unearned premiums		**60,439**	(40,554)
Reinsurers' share of outstanding claims		**167,794**	(72,518)
Reinsurers' share of claims Incurred but not reported		**55,758**	82,954
Deferred policy acquisition costs		**(70,039)**	10,259
Prepayment and other assets		**(153,116)**	(1,769)
Deposit against letter of guarantee		**17,536**	(41,835)
Accounts and commission payable		**(134,349)**	112,146
Accrued expenses and other liabilities		**(26,604)**	73,035
Reinsurers' balances payable		**19,801**	(10,272)
Gross unearned premiums		**264,216**	(125,388)
Unearned reinsurance commission		**(3,458)**	(14,880)
Gross outstanding claims		**(58,974)**	58,295
Claims incurred but not reported		**270,917**	(150,837)
Premium deficiency reserve		**52,124**	46,354
Other technical reserves		**(24,205)**	38,648
Due from related parties		**(2,390)**	-
Due to related party		**(789)**	1,297
		293,831	(152,899)
Surplus paid		**(10,001)**	(6,631)
Surplus reversal		**(62,880)**	-
Payment of employees end of service indemnities	23	**(10,179)**	(4,807)
Zakat and income tax paid	27	**-**	(2,742)
Net cash generated from operating activities		**210,771**	(167,079)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend from investment in associate		**3,572**	1,706
Increase in statutory deposit		**(37,500)**	-
Purchase of available for sale investments		**(491,471)**	(320,076)
Proceeds from disposal of available for sale investments		**386,325**	258,100
Placements in fom short term deposits, net		**(181,240)**	(31,523)
Additions in property, equipment and intangible		**(26,805)**	(15,029)
Net cash (used in) from investing activities		**(347,119)**	(106,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of share capital		**-**	350,000
Share premium		**-**	70,000
Lease Liability	22	**(5,112)**	(8,062)
Transaction cost related to increase in capital		**-**	(7,454)
Due to / (from) shareholders operation		**-**	-
Net cash generated from financing activities		**(5,112)**	404,484
Net change in cash and cash equivalents		**(141,460)**	130,583
C	7	**469,248**	338,665
Cash and cash equivalents, end of the year	7	**327,788**	469,248
NON-CASH INFORMATION			
-Change in fair value of available for sale investments		**(45,344)**	(12,954)
-Addition to Right of use assets		**3,390**	1,402
-Actuarial loss on end of service indemnities		**(9,039)**	(1,052)

Mr. Rakan Abdullah Abunayyan	Mr. Umar Abdulrahman AlMahmoud	Mr. Georgi Markov
Chairman of the Board of Directors	Acting Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered address of the Company's head office is as follows:

Medgulf Insurance
Futuro Tower
King Saud Road
P.O. Box 2302
Riyadh 11451, Saudi Arabia

The objectives of the Company are to transact in cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor and other general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2 BASIS OF PREPARATION

Basis of presentation

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under equity method.

Statement of compliance

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and the Regulations for Companies in the Kingdom of Saudi Arabia.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (refer note 34). The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

Functional and presentation currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The financial statements are presented in Saudi Riyal rounded to nearest thousand (SAR'000) unless otherwise stated.

Going Concern

The Company's accumulated losses as of 31 December 2022 are 44% (31 December 2021: 14%) of its subscribed capital and as of the same date the Company's solvency coverage is below the prudential solvency requirements. The management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying projections under such scenarios, the management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant underwriting and pricing measures, improved recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

In March 2023, prior to the publishing of these Financial Statements, the Board of Directors of the Company has approved a Solvency Recovery plan which foresees the re-establishing of the statutory solvency coverage above 100% until the end of the year through a series of re-capitalization measures.

3 SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank ("SAMA"). In case of losses, losses are absorbed by shareholders. During 2022 the Company reversed Surplus Distribution reserve for the years 2018 and prior amounting to SAR 62m, following the prescription term for keeping the reserve. Should any policyholders demand reimbursement for those years, as prescribed by the SAMA regulations, the payments will be reflected through the income statement of the Company.

4 CHANGES IN ACCOUNTING POLICIES

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

The accounting policies adopted by the Company for the preparation of these financial statements are in accordance with IFRS as endorsed in the KSA and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2021 and new amended IFRS and IFRS Interpretations Committee Interpretations (IFRIC) as mentioned which have significant impact on the financial position or financial performance of the Company.

New Standards, Amendment to Standards and Interpretations (adopted by the Company)
The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

Standard / Interpretation	Description
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
Amendments to IFRS 3	Reference to the Conceptual Framework

These amendments had no impact on the financial statements of the company. The company intends to use the practical expedients in future periods if they become applicable.

(b) Standards issued but not yet effective

Standards and interpretation issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing the financial statements. 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 17	*Insurance Contracts*	*See note below*
IFRS 9	*Financial Instruments*	*See note below*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of accounting policies*	*1 January, 2023*
Amendments to IAS 8	*Definition of accounting estimates*	*1 January, 2023*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	*1 January, 2023*

IFRS 17 – Insurance Contracts

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

Structure and Status of the Implementation Project

The Company is currently in the implementation and dry runs phase of IFRS 17 (i.e., Phase 4 of SAMA four-phase approach for the transition from IFRS 4 to IFRS 17). This phase requires the implementation of methodologies, assumptions and policy choices as defined in Phase 3, in addition to installation and integration of systems. The following table shows the progress made by the Company under the main areas of Phase 4:

Key area of focus	Progress and summary of impact
Governance structure	The Company has a comprehensive IFRS 17 governance structure which includes establishing a steering committee to provide oversight, monitor the progress of implementation, approve decisions and assign roles and responsibilities to various stakeholders. This includes the involvement of the internal audit and the Audit and Board Committees.
Regulatory requirment with respect to IFRS 17	-The Company has met all the timelines of the industry-wide four phase approach of SAMA for the transition from IFRS 4 to IFRS 17, including the three Dry Runs that were part of Phase 4. -The first dry run as at 31 December 2020 was performed during 2021 and the report was timely submitted to SAMA on 30 November 2021. The Second dry run was performed during first half of 2022 which included the preparation of the IFRS 17 financial statements as at 31 December 2021 along with the comparative statement of financial position as at 31 December 2020. The report was timely submitted to SAMA on 31 May 2022. The audit of the second dry run was performed and the respective audit report was submitted to SAMA on 29 September 2022. -The Company refined its implementation plan taking into consideration the learnings from the first and second dry runs and implemented these policies in the third dry run as at 30 June 2022, which was performed during October - November 2022. The results were audited during November 2022. The results and respective audit report were submitted to SAMA on 30 November 2022. -The monthly "Summary Progress Reports" from May to December 2022, were also submitted in due time.
Key areas remaining to be completed	*Operational and financial:* The Company is in the process of implementing the selected IFRS 17 software solution and is implementing changes to the accounting, actuarial modelling, processes and controls, data and systems to comply with the requirements of IFRS 17 and for a smooth system integration. This includes implementing the Phase 3 Design decisions, blueprints of its end state functional design, transition processes and a comprehensive data policy and data dictionary. The Company is assessing the expected financial impact of adopting the IFRS 17 Standard. IFRS 17 testing: The Company's implementation plan includes a number of testing phases: parallel runs and User Acceptance Testing (UAT), in addition to the internal dry runs.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IFRS 17 – Insurance Contracts (Continued)

Significant judgements and accounting policy choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statements on the effective date of IFRS 17 i.e. January 01, 2023:

a) Contracts within / outside scope of IFRS 17

IFRS17 identifies insurance contracts as those contracts under which the entity accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event), adversely affects the policyholder.

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

If a contract transfers only financial risk, it is not within the scope of IFRS 17 and would be accounted for applying other standards such as IFRS 9, 'Financial Instruments'.

b) Combination / unbundling of contracts

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

c) Level of aggregation

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

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

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

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

4 CHANGE IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

Significant judgements and accounting policy choices (Continued)

d) Measurement - Overview

The Company applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds. The Company applies the PAA as the coverage period of these contracts is one yea or less. In case of contracts with more than one-year of coverage period, the Company had carried out the PAA eligibility test to confirm that PAA may be applied. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk. However as per the Company, the impact from discounting will not be significant.

e) Significant judgements and estimates

i. PAA eligibility assessment

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

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

ii. Discounting methodology

Discount rate for liability for Remaining Coverage

If insurance contracts in the group have a significant financing component, the Company shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using the discount rates, as determined on initial recognition. The Company is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year.

Discount rate for Liability for Incurred Claims

The entity has the option not to apply discounting on their LIC, if the claims are settled within one year from the date they are incurred, and it applies PAA for measurement of their insurance contracts. This option will simplify the measurement of liability for incurred claims for entities.

4 CHANGE IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

Significant judgements and accounting policy choices (Continued)

e) Significant judgements and estimates (Continued)

iii. Risk Adjustment methodology, including correlations, and Confidence level selected

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value of claims. The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines, as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

iv. CSM release pattern

The company will adopt the Premium Allocation Approach for the measurement of LRC. Under PAA, the derivation of CSM and its release during the period is not required. However, for future business purposes, the company has established the relevant procedures for the derivation and release of CSM. The actuarial system developed will also have the capability to measure LRC under GMM as well.

v. Onerosity determination

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

vi. Provision for Doubtful Debts

The provision is calculated in accordance with the IFRS 9 methodology and incorporated within IFRS 17.

vii. Reinsurer Default provision

The provision is calculated in accordance with the IFRS 9 methodology and incorporated within IFRS 17.

4 CHANGE IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

Significant judgements and accounting policy choices (Continued)

f) Accounting Policy Choices

i. Length of cohorts: The Company has decided the length of cohort to be on an annual basis.
ii. Use of OCI for insurance finance income / expenses (IFIE): In reference to the presentation in statement of income – Insurance finance income or expense,

Company has decided that the entire insurance finance income or expense for the period will be presented in the statement of income.
iii. Unwinding of Discount on Risk Adjustment: In reference to the presentation in statement of income - Disaggregation of risk adjustment, Company has decided that the entire risk adjustment will be presented in the insurance service results.
iv. Expense Attribution: the Company has segregated the expenses into three components: acquistion, non-attributable and attributable.

v. Deferral of Acquisition Cost: In reference to the recognition of acquisition costs, the Company has decided to amortize the acquisition cost over the contract period instead of immediately recognizing it as an expense.
vi. Policyholder Surplus accounting: The company will treat policy holder surplus as part of 'tax, zakat and surplus payable', once the external audit is completed the

same shall be moved to LIC. Company don't make any allowance for Surplus Distribution when determining onerosity.

g) Presentation and Disclosure

i. Presentation

IFRS 17 significantly changes how insurance contracts and reinsurance contracts held will be presented and disclosed in the Company's financial statements. Under IFRS 17, the Company will present separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances, such as, insurance receivables and payables will no longer be presented separately. Any assets and liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.
The Company disaggregates the total amount recognized in the statement of income and statement of comprehensive income as insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses. The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses
.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognized based on of the passage of time. The requirements in IFRS 17 to recognize insurance revenue over the coverage period is not expected to result in materially different revenue recognition compared with the Company's current practice of recognizing revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognized in statement of income as insurance service expenses, when they are incurred.
Expenses that do not relate directly to the fulfilment of contracts will be presented apart from the insurance service result. Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.
The Company presents separately income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4 CHANGE IN ACCOUNTING POLICIES (Continued)

Significant judgements and accounting policy choices (Continued)

g) Presentation and Disclosure (Continued)

ii. Disclosure

IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements, including detailed reconciliations of contracts, effects of newly recognized contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risk from insurance contract, reinsurance contracts and investment contracts with DPF, disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements. As all of the Company's products are eligible under PAA, most of the disclosures are not applicable. Below are the key disclosures:

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

h) Transition

i. Choice of Method

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent applicable. However, if full retrospective application for a group of insurance contracts is impracticable, then the Company choose either a modified retrospective approach or a fair value approach. If the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach. The Company has adopted full retrospective approach.

ii. Length of Comparatives

The Company can choose to present the adjusted comparative information for any period before the beginning of the annual reporting period immediately preceding the date of initial application. However, the Company is not required to do so.
If the Company does present adjusted comparative information for any earlier periods, then this shall be read as 'the beginning of the earliest adjusted comparative period presented'.
The Company has decided not to present the adjusted comparative information for any period before the beginning of the annual reporting period immediately preceding the date of initial application.

Transition Impact

Impact on equity

The preliminary estimates during the IFRS 17 Dry Runs are that on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of SR 13 million at January 1, 2022. The final impact on equity at January 1, 2023 is currently being assessed and shall be disclosed in the financial reporting for the period January 1, 2023 to March 31, 2023.

Source of Uncertainty

The assessment above is a point in time estimate and not a forecast of the expected impact. The policy admin system, accounting system and IFRS 17 solution are not integrated and capturing and processing the information based on manual input bears a certain risk of data and process inconsistency. The plan for integration and seamless flow of input and output data is already in consideration, the Company continues to refine its models and methodologies and a comprehensive process will be rolled out after transitioning to IFRS 17. The effect from implementation may vary from the estimated number, if a different set of assumptions and policy choices are made.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments

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

Structure and status of the Implementation project

The Company has significantly completed its implementation process which is managed internally through dedicated IFRS 9 team with the support of Deloitte and governed by a steering committee. The preparation for IFRS 9 has required some changes to the company reporting systems. the company is well prepared for the reporting requirements from 1 January 2023 onwards. As part of the two-phase approach for the transition from IAS 39 to IFRS 9 mandated by SAMA and concluded during the year ended 31 December 2022, the Company has submitted a gap analysis, financial impact assessment, implementation plan and multiple dry runs using the FY21 and June 2022 data.

Significant Judgements and Accounting Policy Choices

1. Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

<u>Financial assets at amortized cost</u>
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

The asset is held within a business model whose objective is achieved by collecting contractual cash flows.

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

<u>Financial assets at FVOCI</u>
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the Statement of Income. For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments (Continued)

Significant Judgements and Accounting Policy Choices (Continued)

1. Financial assets – Classification (Continued)

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

The Company expects that majority of the term-deposits to be classified as financial assets at amortized cost while no significant change in the classification of Sukuk as a result of the adoption of IFRS 9. The Company expects that certain equities and mutual funds to be classified as fair value through income statement while the remaining to be classified as fair value through other comprehensive income

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes: - the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets. - how the performance of the portfolio is evaluated and reported to the Company management. - the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed. - how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and - the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company stated objective for managing the financial assets is achieved and how cash flows are realized. For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

2. Financial assets – Impairment

Overview of Expected Credit Loss ('ECL') principles

The Company will recognize loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets debt instruments
- Deposits and Bank balances
- Other receivables balances

No impairment loss will be recognized on equity instruments. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

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

4 CHANGES IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments (Continued)

Significant Judgements and Accounting Policy Choices (Continued)

2. Financial assets – Impairment (Continued)

The Company will measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL: - debt investment securities that are determined to have low credit risk at the reporting date; and - other financial instruments on which credit risk has not increased significantly since their initial recognition. The Company will consider debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is typically determined by using a matrix which uses historical credit loss experience of the Company.

Staging of financial assets

Investments
The Company will categorize its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition.
Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired;
Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset
At each reporting date, the Company will assess whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

ECL methodology and measurement
ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL. For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required. For all contracts, lifetime ECL is computed. ECL is a probability-weighted estimate of credit losses. It is measured as follows: - financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). -Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

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

4 CHANGES IN ACCOUNTING POLICIES (Continued)

Standards and amendments published but not yet effective (Continued)

IFRS 9 – Financial Instruments (Continued)

Significant Judgements and Accounting Policy Choices (Continued)

2. Financial assets – Impairment (Continued)

Presentation of allowance for ECL in the Balance sheet
Loss allowances for ECL are presented in the Balance sheet as follows: financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets. - debt instruments measured at FVOCI: no loss allowance is recognized in the Balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognized in the statement of income and changes between the amortized cost of the assets and their fair value are recognized in OCI.

3. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognized in the statement of income, whereas under IFRS 9 these fair value changes will generally be presented as follows: The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; The remaining amount of the change in the fair value will be presented in the statement of income.

4. Transition

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Company's total equity is estimated to be an increase of 57.7M at 1 January 2022, as summarized below. The impact on equity at 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March.

Adjustments due to adoption of IFRS 9	01-Jan-22
	[SAR'000]
Classification of financial assets [impact of revaluation of assets]	0
Premium Receivable – net	(13,817)
Due from reinsurers – net	71,795
Investments	(296)
Total Impact	**57,682**

5 SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

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.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

Goodwill

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

Land, property and equipment

Land is stated at cost less any impairment and is not depreciated. Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis at the following depreciation rates:

Class of Assets	Rates
Leasehold improvements	15% - 25%
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income

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.

Intangible assets

IT development and software is shown at historical cost. It has a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	15% - 25%

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments are initially recognised at fair value, being the fair value of the consideration given, including acquisition charges associated with the investment except for investments at fair value through profit or loss. Premiums and discounts are amortized on a systematic basis to their maturity. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the statement of financial position date without any deduction for transaction costs.

(a) Available for sale investments

Investments which are classified as "available for sale" are subsequently measured at fair value. Available for sale investments are those investments that are not held to maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly under insurance operations' surplus and / or shareholders' comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised under the insurance operations' surplus and / or shareholders' comprehensive income is included in the statement of insurance operations and accumulated surplus and / or shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at amortised cost less impairment provision.

(b) Investments in held to maturity securities

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

(c) Investment in an associate

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

Statutory reserve

In accordance with its bylaws, 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. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2022.

Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value (fair value being lower than cost), less any impairment loss previously recognized in the statement of shareholders' operations.
- For assets carried at cost, impairment is the difference between the cost and the present value (present value being lower than cost) of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued expenses and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Special commission income

Special commission income from time deposits is recognized on an effective yield basis.

Dividend income

Dividend income is recognised when the right to receive dividend is established.

Provisions

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.

Trade date accounting

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

Employees' end of service indemnities

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period 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 – insurance operations.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statements of income - insurance operations and accumulated surplus and shareholders' operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Foreign exchange gains or losses on available for sale investments are recognised in 'insurance operations surplus' in the statement of insurance operations and other comprehensive income under the statement of shareholders' comprehensive operations. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting financial assets and liabilities

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

Premiums earned and commission income

Premiums are taken into income over the term of the policies to which they relate on a pro-rata basis. For engineering construction projects with policy terms in excess of one year, the premium are taken into income linearly over the policy term. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

The underwriting results represents premiums earned and fee and commission income less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to reinsurance, less provision for any anticipated future losses on continuing policies.

Commission receivable on reinsurance contracts are deferred and amortised on a straight-line basis over the term of the reinsurance contracts.

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

- Actual number of days for all lines of business, except
- For engineering construction projects with policy terms in excess of one year, it is assumed that the risk is increasing linearly over the policy term.
- Last three month of premiums for marine cargo business.

Premiums and Reinsurance receivable

Premiums receivable are recognized when due and are measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

Claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to statement of income - insurance operations and accumulated surplus / (deficit) as incurred. Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at date of statement of financial position. The ultimate liability may be in excess of or less than the amount provided. Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reinsurance contracts held

Reinsurance is distributed between treaty, facultative, stop loss 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 4 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. 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 to note 4.

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

Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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.

Investment income on these contracts is accounted for using the EIR method when accrued.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income - insurance operations and accumulated surplus and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions, SAMA fees, CCHI fees, Najm fees, partial administration cost (related to underwriting and issuance of policy), 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 recognised as an expense when incurred. Amortization is recorded in the policy acquisition costs.

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

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

Reinsurance

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

An impairment review is performed at each 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 - insurance operations and accumulated surplus.

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

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Unearned reinsurance commission

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

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities

Adjustments arising from the final income tax assessments are recorded in the year in which such assessments are made. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Deferred tax:

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised.

Zakat:

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

5 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product classification

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.

Derecognition 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.

Fair values

The fair value of financial assets 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 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 that includes the use of mathematical models. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Segmental reporting

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

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

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

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

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

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate and involves a significant degree of judgment. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. 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.

Following are the critical areas of estimation and judgments for medical and motor business for which the Company acquires services of independent actuary to determine such reserves.

As a first step towards setting appropriate IBNR reserves for the medical and motor line of businesses, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments. Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- Chain Ladder method - this builds up, using historical claims payment patterns, ratios of eventual cumulative claims which have been incurred in a particular year to those which have been paid as at the end of a reporting year.
- Bornhuetter Ferguson method – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example expected ultimate loss ratios.
- Expected Loss Ratio method – this technique determines the projected amount of claims relative to earned premiums. The method is used where the insurer lacks the appropriate past claim occurrence data because of changes in product offerings, change in claims settlement processes, etc.

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

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

ii) Premium deficiency reserve

Estimation of the premium deficiency for medical and motor business 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 actuary looks at the claims and premiums relationship which is expected to realize in the future.

iii Impairment of receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. During 2017, the Company has revisited its provisioning approach and significantly increased the level of provisioning in respect of insurance and reinsurance receivables due to increase in credit risk associated with the receivables.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv) Goodwill impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management believes that fair value less cost to sell analysis provides a higher value compared to value in use, and therefore, fair value less cost to sell analyses are used for impairment assessments. Management used a valuation expert to perform fair value less cost to sell analysis through a market based approach to test impairment. The fair value less cost to sell calculation is based on the quoted share price of the Company as of period close and subsequent events that occurred till measurement date. In arriving at the valuation under market approach, the expert also applied certain judgments and factors including analysis of price book value multiples of the comparable companies and comparable transactions.

v) Reinsurance

The Company accounts for its reinsurance transactions based on their understanding of the contractual terms of the reinsurance treaties.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	SAR'000 Insurance operations	
	December 31, 2022	December 31, 2021
Cash and bank balances	**219,632**	87,035
Deposits maturing within 3 months from the acquisition date	**-**	-
Cash and cash equivalent in the statement of cash flows	**219,632**	87,035
Deposits against letter of guarantee	**103,143**	120,679
	322,775	207,714

	SAR'000 Shareholders' operations	
	December 31, 2022	December 31, 2021
Cash and bank balances	**68,156**	54,968
Deposits maturing within 3 months from the acquisition date	**40,000**	335,000
	108,156	389,968
Cash and bank balances	**430,931**	597,682
Cash and cash equivalents in the statement of cash flow	**327,788**	477,003

Cash at banks and short-term deposits are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 2.49% per annum (2021: 0.08% per annum).

The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's customers and service providers (also see note 31). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

8 SHORT TERM DEPOSITS

Short term deposits are placed with counterparties that have credit ratings equivalent to BBB+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 4.12% per annum (2021: 1% per annum).

For the year ended 31 December 2022 the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date.

	SAR'000			
	December 31, 2022		December 31, 2021	
	Insurance Operations	**Shareholders' operations**	Insurance Operations	Shareholders' Operations
Placed during the year	**300,178**	**1,159,263**	-	50,000
Matured during the year	**(300,178)**	**(928,023)**	-	
	-	**231,240**	-	50,000

9 PREMIUM AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	SAR'000	
	December 31, 2022	December 31, 2021
Policyholders	**389,278**	279,061
Brokers and agents	**221,818**	495,831
Premiums receivables	**611,096**	774,892
Less: Allowance for doubtful debts	**(81,800)**	(82,540)
	529,296	692,352
Reinsurers' receivable	**271,330**	302,531
Less: Allowance for doubtful debts	**(155,878)**	(156,306)
	115,452	146,225
Premium and reinsurers' receivable – net	**644,748**	838,577

As disclosed in note 10.c, the Company, together with CRC carried out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the Company has booked full provision for this balance and disclosed under due from other related parties in note 10.

As at December 31, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	SAR'000	
	December 31, 2022	December 31, 2021
Balance, January 1	**238,846**	263,360
Write off during the year		-
Reversal for the year	**(1,168)**	(24,514)
Balance, December 31	**237,678**	238,846

9 PREMIUM AND REINSURERS' RECEIVABLE, NET (Continued)

The aging analysis of gross premiums and reinsurance balances receivable is as at 31 December 2022 and 2021 is set as below:

As at December 31, the ageing of receivables is as follows:

	Total	**Neither past due nor impaired**	**Past due but not impaired**		**Past due and impaired**
			Less than 30 days	**31 - 90 days**	
			SAR '000'		
Premiums and re- insurance receivables					
- Policyholders	**389,278**	**253,845**	**34,030**	**30,961**	**70,442**
- Brokers and agents	**221,818**	**122,260**	**15,253**	**39,662**	**44,643**
- Premium receivables	**611,096**	**376,105**	**49,283**	**70,623**	**115,085**
- Receivable from reinsurers	**271,330**	**-**	**17,935**	**3,727**	**249,668**
As at December 31, 2022	**882,426**	**376,105**	**67,218**	**74,350**	**364,753**

	Total	Neither past due nor impaired	Past due but not impaired		Past due and impaired
			Less than 30 days	31 - 90 days	
			SAR '000'		
Premiums and re-insurance receivables					
- Policyholders'	279,061	117,058	58,932	45,863	57,208
- Brokers and agents	495,831	208,834	220,134	20,242	46,621
- Premium receivables	774,892	325,892	279,066	66,105	103,829
- Receivable from re- insurance	302,531	-	79,685	3,714	219,132
As at December 31, 2021	1,077,423	325,892	358,751	69,819	322,961

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies mainly in Europe. Premiums and reinsurance balances receivable include SAR 25.2 million (31 December 2021: SAR 33.4 million) due in foreign currencies, mainly in US Dollars. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. The five largest customers accounts for 18.7% (31 December 2021: 39.8%) of the premiums receivable as at 31 December 2022. Further, total receivable from government entities amount to SR 114 million (31 December 2021: SAR 250.7 million) constituting 21.9% (31 December 2021: 32.4%) of total premium receivable.

Unimpaired premiums and reinsurance balances receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of premiums receivable balances, are from individuals and unrated corporates. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

10.a The following are the details of major related party transactions during the year and their balances at the end of the year:

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
		SAR'000			
Due from / to related parties					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at Year end	-	-	**2,453**	2,453
	-Allowance for doubtful debts	2,390	-	-	(2,390)
	-Net Balance due from at year end	-	-	**2,453**	63
Medivisa KSA (affiliate)	-Balance due from / (due to) at year end	-	-	**1,931**	1,931
Al-Waseel for Electronic Transportation (Associate)	-Claims management fee	**8,337**	5,309		
	-Balance due from / (due to) at year end	-	-	**(1,259)**	(2,048)
Total due from related parties				**4,384**	**1,994**
Total due to related parties				**(1,259)**	(2,048)

Other related parties transactions and balances – due from / (due to)

Related parties	Nature of transaction	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	-	1,888	**165**	2,061
	-Statutory deposit (refer note 10.a (i))	-	1,204	**186,970**	147,830
	-Gross written premiums	**5,033**	6,937	-	-
	-Premiums (refundable)	-	-	-	-
	-Claims incurred	**220**	81	-	-
	Outstanding claims	**1,511**	23,142	-	-
	-Balance due from / (due to) at year end	-	-	**187,135**	149,891
	-Claims incurred / adjustment	-	-	-	-
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance	-	-	-	-
	-Medical claim Lebanon / balance	-	(654)	**(654)**	(654)
	-Medical claim Egypt / balance	-	(81)	**(81)**	(81)

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Discretionary portfolio arrangement (refer 10.a (ii))	-	-	-	-
	-Current account	-	-	**2,542**	2,542
	-Premiums refundable	**8**	-	-	-
Abunayyan Trading Co (Under common directorship)	-Gross written premiums	**2**	(281)	-	-
	-Premiums receivable-net	-	-	-	(111)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(111)
	-Claims incurred	**661**		-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	-	(1)	-	-
	-Premiums receivable-net	-	-	-	(9)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(9)
	-Claims incurred	**94**		-	-
Toray Membrane Middle East (Under common directorship)	-Gross written premiums	-	162	-	-
	-Premiums receivable	-	-		
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	**48**	-	-	-
Medgulf BSC (major shareholder)	-Reinsurance recovery (refer 10.a(iii))	-	-	**5,203**	5,203
	-Allowance for doubtful debts	-	-	**(3,902)**	(3,902)
	-Net balance due from at year end	-	-	**1,301**	1,301
Industrial Instrumentation and Control System(Under common directorship)	-Gross written premiums	-	(11)	-	-
	-Premiums receivable-net	-	-	-	(11)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(11)
	-Claims incurred	**35**	-	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended December 31, 2022	Transactions for the year ended December 31, 2021	Balance receivable / (payable) as at December 31, 2022	Balance receivable / (payable) as at December 31, 2021
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at year end	-	-	**3,856**	3,856
	-Allowance for doubtful debts	-	-	**(3,856)**	(3,856)
	-Net balance due from at year end	-	-	-	-
Citiscape (Under common directorship)	-Gross written premiums	-	(131)	-	-
	-Premiums receivable-net	-	-	-	(95)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(95)
	-Claims incurred	**96**		-	-
Middle East Agriculture (Under common directorship)	-Gross written premiums	-	(23)	-	-
	-Premiums receivable-net	-	-	-	(7)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(7)
	-Claims incurred	**52**		-	-
Electronic and Electric Industry (Under common directorship)	-Gross written premiums	-	21	-	-
	-Premiums receivable	-	-	-	5
	-Allowance for doubtful debts			-	(1)
	-Net balance due from at year end			-	4
	-Claims incurred	**11**		-	-
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery	-	-	-	-
	-Balance receivable at year end (Refer 10.c)	-	-	**59,498**	59,498
	-Allowance for doubtful debts	-	-	**(59,498)**	(59,498)
	-Net balance due from at year end	-	-	-	-
Arabian Qudra (Under common directorship)	-Gross written premiums	-	(48)	-	-
	-Premiums receivable-net	-	-	-	(8)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(8)
	-Claims incurred	**17**		-	-
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	-	(423,600)	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended		Balance receivable / (payable) as at	
		December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Tumpane Jubar (Under common directorship)	-Gross written premiums	-	(42)	-	-
	-Premiums receivable-net	-	-	-	(54)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(54)
	-Claims incurred	**33**		-	-
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	-	-	-	-
	-Reinsurance recoveries (Refer 10.a (iii)	-	(191)	-	-
	-Balance due from at year end	-	-	**15,623**	15,623
	-Allowance for doubtful debts	-	-	**(11,718)**	(11,718)
	-Net balance due from at year end	-	-	**3,905**	3,905
Alakaria (Under common directorship)	-Gross written premiums	**27**	1	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	**(4)**	4	-	-
Al Issa Group (Under common directorship)	-Gross written premiums	**(197)**	71,559	-	-
	-Premiums receivable	-	-	**1,304**	29,290
	-Allowance for doubtful debts	-	-	**(876)**	(1,168)
	-Net balance due from at year end	-	-	**428**	28,122
	-Claims incurred	**(11,168)**	46,556	-	-
Vision International Investment Company (Under common directorship)	-Gross written premiums	-	12	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	**100**	-	-	-
Aloyaidi Certified Public Accountants (Under common directorship)	-Gross written premiums	-	73	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	**6**	17	-	-

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the year ended December 31, 2022	December 31, 2021	Balance receivable / (payable) December 31, 2022	December 31, 2021
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at year end	-	-	**1,472**	1,472
	-Allowance for doubtful debts	-	-	**(1,472)**	(1,472)
	-Net balance due from at year end (Refer 10.a (iv))	-	-	-	-
Saudi Meter Company (Under common directorship)	-Gross written premiums	-	(1)	-	-
	-Premiums receivable	-	-	-	3
	-Claims incurred	**5**	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	3
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	**98**	(152)	-	-
	-Premiums receivable	-	-	-	(116)
	-Claims incurred	**109**		-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	(116)

10.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 3.28% per annum (0.5% in 2021).

10. a (ii) This represent overpayment of premium ceded to Medgulf Bahrain for reinsurance placement.

10. a (iii) This represent reinsurance claims recoverable from Addison Bradley International. Most of the reinsurance claim recoveries in respect of run-off treaties for the underwriting years up to 2014 have been collected by the related party either directly or through a broker (refer note 10.c).

10. a (iv) Reinsurance placement was made by the said related party. There is a claim recovery from the reinsurer which related party needs to recover.

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

10.b Compensation of key management personnel

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the year ended December 31, 2022 and 2021:

2022	**BOD members (Non-Executive)**	**Top Executives including the CEO and CFO**
Salaries and compensation	**-**	**7,463**
Allowances	**330**	**-**
Annual remuneration	**2,744**	**-**
End of service indemnities	**-**	**460**
	3,074	**7,923**

2021	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	8,970
Allowances	315	-
Annual remuneration	3,170	-
End of service indemnities	-	494
	3,485	9,464

10.c All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC carried out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the company has booked full provision for this balance.

11 CLAIMS

a) Outstanding Claims and IBNR

	December 31, 2022			December 31, 2021		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
		SAR'000			SAR'000	
End of the year						
Outstanding claims	**684,833**	**(378,746)**	**306,087**	743,807	(546,540)	197,267
Claims incurred but not reported	**734,281**	**(123,270)**	**611,011**	463,364	(179,028)	284,336
	1,419,114	**(502,016)**	**917,098**	1,207,171	(725,568)	481,603
Claims paid during the year, net	**2,098,488**	**(372,570)**	**1,725,918**	2,064,551	(624,777)	1,439,774
Beginning of the year						
Outstanding claims	**743,807**	**(546,540)**	**197,267**	685,512	(474,022)	211,490
Claims incurred but not reported	**463,364**	**(179,028)**	**284,336**	614,201	(261,982)	352,219
	1,207,171	**(725,568)**	**481,603**	1,299,713	(736,004)	563,709
Claims incurred	**2,310,431**	**(149,018)**	**2,161,413**	1,972,009	(614,341)	1,357,668

b) Other Technical Reserves

SAR'000	December 31, 2022	December 31, 2021
	SAR'000	
Premium deficiency reserve	**129,934**	77,810
Others	**41,737**	65,942
Other reserves at end of the year	**171,671**	143,752

c) Claims Triangulation Analysis by Accident Year

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

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

11 CLAIMS (Continued)

c) Claims Triangulation Analysis by Accident Year (Continued)

i) On Gross Basis

	SAR '000'														
Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**TOTAL**
At the end of accident year	1,148,965	1,525,392	1,759,169	2,030,375	2,865,129	3,196,139	3,553,993	2,821,668	2,281,556	1,776,365	2,154,612	1,926,543	2,071,059	2,600,996	2,600,996
One year later	1,166,831	1,538,465	1,887,696	2,355,342	3,006,147	3,446,409	3,403,193	2,818,050	2,446,353	1,784,344	2,051,212	1,743,140	2,017,723		2,017,723
Two years later	1,165,977	1,509,521	1,967,919	2,319,794	3,056,802	3,430,507	3,413,046	2,838,429	2,430,527	1,780,521	2,003,519	1,688,898			1,688,898
Three years later	1,145,562	1,537,038	1,950,795	2,321,681	3,082,282	3,453,587	3,438,152	2,846,770	2,442,873	1,783,441	1,989,172				1,989,172
Four years later	1,281,007	1,537,201	1,948,513	2,323,884	3,021,821	3,453,723	3,465,713	2,829,804	2,440,708	1,780,565					1,780,565
Five years later	1,257,000	1,543,934	1,945,686	2,331,979	3,015,807	3,453,423	3,445,523	2,821,641	2,427,760						2,427,760
Six years later	1,238,429	1,544,369	1,942,946	2,338,689	3,015,089	3,451,383	3,565,542	2,825,260							2,825,260
Seven years later	1,238,219	1,538,549	1,942,017	2,339,764	3,011,525	3,444,036	3,541,408								3,541,408
Eight years later	1,233,679	1,537,916	1,942,388	2,331,726	3,036,140	3,448,419									3,448,419
Nine years later	1,233,062	1,537,958	1,946,469	2,331,655	3,019,829										3,019,829
Ten years later	1,233,120	1,542,909	1,945,891	2,328,222											2,328,222
Eleven years later	1,234,378	1,542,967	1,937,437												1,937,437
Twelve years later	1,237,133	1,530,167													1,530,167
thirteen years later	1,233,409														1,233,409
Ultimate paid claims (estimated)	**1,233,409**	**1,530,167**	**1,937,437**	**2,328,222**	**3,019,829**	**3,448,419**	**3,541,408**	**2,825,260**	**2,427,760**	**1,780,565**	**1,989,172**	**1,688,898**	**2,017,723**	**2,600,996**	**32,369,265**
Cumulative paid claims	**1,233,300**	**1,530,187**	**1,937,415**	**2,327,092**	**3,019,617**	**3,424,972**	**3,401,267**	**2,803,075**	**2,397,571**	**1,755,540**	**1,958,173**	**1,615,880**	**1,940,411**	**1,605,651**	**30,950,151**
Outstanding claims + IBNR	**109**	**(20)**	**22**	**1,130**	**212**	**23,447**	**140,141**	**22,185**	**30,189**	**25,025**	**30,999**	**73,018**	**77,312**	**995,345**	**1,419,114**

ii) On net Basis (net of reinsurance)

	SAR '000'														
Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**TOTAL**
At the end of accident year	607,986	872,155	1,032,598	1,118,998	1,437,617	2,459,548	2,884,490	2,518,555	1,995,672	1,547,947	1,703,855	1,172,326	1,468,431	2,320,428	1,468,431
One year later	962,313	1,230,576	1,472,573	1,767,465	2,299,916	2,657,710	2,749,239	2,527,751	2,058,366	1,541,857	1,645,348	1,074,867	1,184,323		1,074,867
Two years later	976,888	1,253,029	1,500,727	1,790,733	2,337,043	2,637,623	2,769,138	2,548,626	2,039,561	1,540,674	1,633,770	1,142,866			1,633,770
Three years later	979,244	1,256,681	1,505,277	1,797,190	2,343,241	2,634,880	2,782,439	2,550,553	2,034,719	1,536,810	1,649,737				1,536,810
Four years later	980,249	1,258,037	1,505,267	1,796,803	2,345,967	2,635,323	2,791,543	2,550,351	2,034,451	1,543,463					2,034,451
Five years later	980,674	1,265,891	1,508,041	1,792,822	2,346,221	2,635,383	2,792,267	2,550,132	2,040,297						2,550,132
Six years later	980,908	1,265,159	1,506,466	1,797,794	2,345,494	2,636,318	2,794,371	2,551,819							2,794,371
Seven years later	980,888	1,264,497	1,509,313	1,807,846	2,343,425	2,629,782	2,809,925								2,629,782
Eight years later	976,851	1,268,117	1,507,009	1,799,873	2,348,320	2,644,775									2,348,320
Nine years later	980,708	1,263,807	1,511,084	1,799,805	2,345,408										1,799,805
Ten years later	976,818	1,270,686	1,510,502	1,797,829											1,510,502
Eleven years later	978,076	1,270,744	1,509,267												1,270,744
Twelve years later	980,831	1,268,814													980,831
thirteen years later	980,365														
Ultimate paid claims (estimated)	**980,365**	**1,268,814**	**1,509,267**	**1,797,829**	**2,345,408**	**2,644,775**	**2,809,925**	**2,551,819**	**2,040,297**	**1,543,463**	**1,649,737**	**1,142,866**	**1,184,323**	**2,320,428**	**25,789,316**
Cumulative paid claims	**980,352**	**1,268,816**	**1,509,264**	**1,797,691**	**2,345,382**	**2,641,902**	**2,792,755**	**2,550,399**	**2,036,600**	**1,540,397**	**1,645,939**	**1,133,920**	**1,174,851**	**1,453,950**	**24,872,218**
Outstanding claims + IBNR	**13**	**(2)**	**3**	**138**	**26**	**2,873**	**17,170**	**1,420**	**3,697**	**3,066**	**3,798**	**8,946**	**9,472**	**866,478**	**917,098**

12 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 9,652 thousand (a 25% equity interest) (2021: SAR 11,799 thousand), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

	SAR'000	
	December 31, 2022	December 31, 2021
At the beginning of the year	**11,799**	9,734
Dividend received from investment in an associate	**(3,572)**	(1,706)
Income from investment in an associate	**3,920**	3,771
At the end of year	**12,147**	11,799

Al-Waseel for Electronic Transportation*
Country of Incorporation - Saudi Arabia

	SAR'000	
	December 31, 2022	December 30, 2021
Assets	**62,812**	66,816
Liabilities	**16,986**	19,619
Profit	**15,681**	17,772
% Interest Held	**25%**	25%

13 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

	SAR'000	
SAR'000	**December 31, 2022**	December 31, 2021
Type of Investments		
-Mutual Fund	-	10,789
-Sukuk	-	20,000
	-	30,789

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia. As at 2022, these investments have been transferred to the Shareholder Accounts.

The movements during the year in available for sale investments for insurance's operations were as follows:

	December 31, 2022	December 31, 2021
At the beginning of the year	**30,789**	10,502
Purchase during the year	**3,849**	77,500
Sold during the year	**(35,440)**	(57,500)
Net change in fair values	**1,591**	287
At the end of the year	**789**	30,789

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
	December 31, 2022	December 31, 2021
Type of Investments		
Equity unquoted- domestic	**4,928**	2,860
Equity quoted- domestic	**166,728**	176,522
Mutual Funds unqoted- domestic	**137,107**	132,250
Sukuks quoted- domestic	**415,837**	285,718
Sukuks quoted- international	**32,114**	34,300
	756,714	631,650

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia. The shares in NAJM and LTSE Equity have also been classified shown as unquoted equity.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR -44,555 thousand (31 December 2021: SAR -13,241 thousand) is presented within shareholders' equity in the statement of financial position.

The movements during the year in available for sale investments for shareholders' operations were as follows:

	SAR'000	
	December 31, 2022	December 31, 2021
At the beginning of the year	**631,650**	580,414
Purchase during the year	**491,471**	242,576
Sold during the year	**(321,852)**	(178,099)
Net change in fair values	**(44,555)**	(13,241)
At the end of the year	**756,714**	631,650

c) Analysis of investments of insurance and shareholders' operations

i. The analysis of investments of insurance and shareholders' operations by counterparties is as follows:

	SAR'000	
	December 31, 2022	December 31, 2021
Government and quasi government	**315,202**	251,090
Banks and other financial institutions	**220,401**	211,968
Corporates	**221,111**	199,381
Total	**756,714**	662,439

ii. The credit quality of investment portfolio is as follows:

	SAR'000	
	December 31, 2022	December 31, 2021
AA- To AAA	**10,000**	10,000
A- To A+	**432,358**	416,210
BBB- TO BBB+	**141,029**	124,630
N/A	**173,327**	111,599
Total	**756,714**	662,439

Credit ratings are based on Standard and Poor, Fitch and Moody's rating methodology or the issuer, noting that "NA" represents the sum of the investments which are not rated.

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statement. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

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

The Company has investments amounting to SAR 4.93 million (31 December 2021: SAR 2.86 million) in unquoted securities. These investments in unquoted securities have not been measured at fair values in the absence of active market or other means of reliably measuring their fair values. However, the management believes that there is no major difference between the carrying values and fair values of these investments.

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy cumulatively for insurance and shareholders operations:

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.

1. Insurance operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2022				
Available for sale investments				
- Mutual Fund	-	-	-	-
- Sukuk	-	-	-	-
Total available for sale investments	-	-	-	-

13 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value (Continued)

1. Insurance operations – Fair Value (Continued)

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2021				
Available for sale investments				
- Mutual Fund	10,789	-	-	10,789
- Sukuk		20,000		20,000
Total available for sale investments	10,789	20,000	-	30,789

2. Shareholders' operations – Fair Value

SAR'000s	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2022				
Available for sale investments				
- Mutual Fund	**137,107**	**-**	**-**	**137,107**
- Sukuk	**-**	**447,951**	**-**	**447,951**
- Equities	**166,728**	**-**	**-**	**166,728**
Total available for sale investments	**303,835**	**447,951**	**-**	**751,786**

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2021				
Available for sale investments				
- Mutual Fund	132,250	-	-	132,250
- Sukuk	-	320,018	-	320,018
- Equities	176,522	-	-	176,522
Total available for sale investments	308,772	320,018	-	628,790

14 PREPAYMENTS AND OTHER ASSETS, NET

(a) Prepayment and other assets, net

	SAR'000					
	31 December 2022			31 December 2021		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Prepayment on hospital dues	260,792	-	260,792	95,546	-	95,546
Deferral of SAMA, CCHI, Najm*	-	-	-	21,005	-	21,005
Advances to suppliers	22,820	-	22,820	24,363	-	24,363
Advances to employees	7,369	-	7,369	13,081	-	13,081
Accrued Income from Manafeth and Umrah share ageement	15,673	-	15,673	35	-	35
Prepaid rent		-	-	62	-	62
Accrued special commission income	-	15,719	15,719	17	5,929	5,946
Prepaid expenses	6,773	-	6,773	5,259	-	5,259
VAT	49,716	-	49,716	74,487	-	74,487
Others	6,310	-	6,310	6,272	-	6,272
Provision for doubtful debts	(445)	-	(445)	(14,445)	-	(14,445)
	369,008	15,719	384,727	225,682	5,929	231,611

*NAJM, CCHI and TPA have been reclassified as Deferred Acquisition Costs in 2022

15 UNEARNED PREMIUMS

The movements during the year for unearned premiums are as follows:

	For the year ended December 31, 2022		
SAR'000	**Gross**	**Re-insurance**	**Net**
Balance at the beginning of the year	**897,653**	**(260,855)**	**636,798**
Premium written during the year	**2,854,602**	**(405,175)**	**2,449,427**
Premium earned during the year	**(2,590,386)**	**465,614**	**(2,124,772)**
Balance at the end of the year	**1,161,869**	**(200,416)**	**961,453**

	For the year ended December 31, 2021		
SAR'000	Gross	Re-insurance	Net
Balance at the beginning of the year	1,023,041	(220,301)	802.740
Premium written during the year	2,236,222	(835,768)	1,400,454
Premium earned during the year	(2,361,610)	795,214	(1,566,396)
Balance at the end of the year	897,653	(260,855)	636,798

16 DEFERRED POLICY ACQUISITION COSTS

(a) The movements during the year for commissions' incurred for operations are as follows:

SAR'000	**For the year ended December 31, 2022**	For the year ended December 31, 2021
At the beginning of the year	**39,163**	46,290
Incurred commissions	**123,751**	86,266
Incurred reclassified from General and Administrative to Acquisition Costs - Al Alem, NAJM, CCHI, SAMA, Tameeni, Tameenak	**126,466**	-
Amortized during the year	**(169,444)**	(93,393)
At the end of the year	**119,936**	39,163

(b) The movements during the year for deferral of administration cost are as follows:

SAR'000	**For the year ended December 31, 2022**	For the year ended December 31, 2021
At the beginning of the year	**10,734**	13,866
Amortized during the year	**(10,734)**	(3,132)
At the end of the year	**-**	10,734
Total deferred acquisition cost at end of the year	**119,936**	49,897

17 RIGHT OF USE ASSETS - NET

	Total
	SAR'000
Cost:	
Balance at 1 January 2022	**36,652**
Additions during the year	**3,390**
Balance at 31 December 2022	**40,042**
Accumulated amortization:	
Balance at 1 January 2022	**28,523**
Charge for the year	**7,895**
Balance at 31 December 2022	**36,418**
Net book value:	
At 31 December 2022	**3,624**
At 31 December 2021	**8,129**

18 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment						Intangible Assets	
	Shareholders' Operations	Insurance Operations						
	Land	Leasehold improvements	Office equipment, furniture and fixtures	Computers	Motor vehicles	Total	Computer software	Total
	SAR '000							
Cost:								
Balance at January 1, 2022	30,000	42,563	44,840	30,725	2,760	150,888	31,982	182,870
Additions during the year	-	-	1,998	5,612		7,610	19,195	26,805
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2022	**30,000**	**42,563**	**46,838**	**36,337**	**2,760**	**158,498**	**51,177**	**209,675**
Accumulated depreciation:								
Balance at January 1, 2022	-	41,523	37,298	23,104	2,499	104,424	19,874	124,298
Charge for the year (note 25)	-	456	1,667	4,285	87	6,495	6,923	13,418
Disposals during the year	-	-	-	-	-	-	-	-
Balance at December 31, 2022	-	**41,979**	**38,965**	**27,389**	**2,586**	**110,919**	**26,797**	**137,716**
Net book value as at								
December 31, 2022	**30,000**	**584**	**7,873**	**8,948**	**174**	**47,579**	**24,380**	**71,959**
December 31, 2021	30,000	1,040	7,542	7,621	261	46,464	12,108	58,572

19 STATUTORY DEPOSIT AND ACCRUED COMMISSION

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is maintain a statutory deposit at 15% (31 December 2021: 11.42%) . This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 2022, the statutory deposit is currently maintained at 15% of the paid up capital, SR 1,050 million, amounting to SR 157.5 million. The Statutory deposit is placed at the commission rate of 3.28% per anum (2021 : 0.5%).

20 GOOD WILL

The Company held an ordinary general assembly meeting on 22 December 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C (closed) ("Portfolio") effective 1 January 2009. The acquisition resulted in goodwill of SR 480 million.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ('CGU') to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2022, the Company appointed a consultant and a report dated 3 April 2023 was issued. Considering the Company as a single CGU, the consultant applied 'Value-In-Use (VIU)', 'Share Price','Market' approach on the trading activity of the Company's stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2022 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

21 ACCRUED EXPENSES AND OTHER LIABILITIES

	SAR'000					
	31 December 2022			31 December 2021		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Payable to suppliers and others	**114,104**	**-**	**114,104**	42,787	-	42,787
VAT payable	**101,911**	**-**	**101,911**	168,246	-	168,246
Accrued expenses	**21,758**	**1,035**	**22,793**	33,820	872	34,692
Accrued withholding tax	**-**	**-**	**-**	10,384	-	10,384
Provision for leave encashment		**-**	**-**	9,058	-	9,058
Total	**237,773**	**1,035**	**238,808**	264,295	872	265,167

22 LEASE LIABILITY

	SAR'000	SAR'000
	31 December 2022	31 December 2021
Liability		
Balance at the beginning of the year	**8,534**	16,596
Impact of adoption of IFRS 16	**-**	-
(Deletions) / Additions for the year	**-**	-
Finance cost	**211**	401
At end of the year	**8,745**	16,997
Payments		
Paid during the year	**(5,112)**	(8,463)
Balance at the end of the year	**3,633**	8,534
Lease liability is break into maturity wise as follows:		
Less than one year	**3,390**	7,100
One to five years	**243**	1,434
Lease liabilities - net	**3,633**	8,534

23 END OF SERVICE INDEMNITIES

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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

	SAR'000	
	31 December 2022	31 December 2021
Present value of defined benefit obligation	**33,787**	28,770
	33,787	28,770

23.2 Movement of defined benefit obligation

	SAR'000	
	31 December 2022	31 December 2021
Opening balance	**28,770**	24,405
Charge to statement of income–insurance operations & accumulated surplus	**6,157**	5,120
Charge to statement of comprehensive income – insurance operations	**9,039**	4,052
Payment of benefits during the year	**(10,179)**	(4,807)
Closing balance	**33,787**	28,770

23 END OF SERVICE INDEMNITIES (Continued)

23.3 Reconciliation of present value of defined benefit obligation

	SAR'000	
	31 December 2022	31 December 2021
Present value of defined benefit obligation as at January 1	**28,770**	24,405
Current service costs	**5,624**	4,788
Financial costs	**533**	332
Actuarial loss from experience adjustments	**9,039**	4,052
Benefits paid during the year	**(10,179)**	(4,807)
Present value of defined benefit obligation	**33,787**	28,770

23.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	31 December 2022	31 December 2021
Valuation discount rate	**4.05%**	2.25%
Short term salary increase rate (1 year)	**3.80%**	3.00%
Long term salary increase rate	**3.80%**	2.15%

23.5 Sensitivity analysis of actuarial assumptions

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	SAR'000	
	31 December 2022	31 December 2021
Valuation discount rate		
-Increase by 1%	**(1,451)**	(1,555)
	-4.29%	-5.41%
-Decrease by 1%	**1,592**	1,757
	4.71%	6.11%
Expected rate of increase in salary level across different age bands		
-Increase by 1%	**1,750**	2,168
	5.18%	7.54%
-Decrease by 1%	**(1,622)**	(1,959)
	-4.80%	-6.81%

24 UNEARNED REINSURANCE COMMISSION

	SAR'000	
	31 December 2022	31 December 2021
At the beginning of the year	**18,034**	32,914
Commission received during the year	**1,925**	112,453
Commission earned during the year	**(5,383)**	(127,333)
At the end of the year	**14,576**	18,034

25 GENERAL AND ADMINISTRATIVE EXPENSES

	SAR '000					
	31 December 2022			31 December 2021		
	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Variable cost						
CCHI fees*	-	-	-	14,879	-	14,879
Withholding taxes	1,553	-	1,553	9,539	-	9,539
SAMA fees*	-	-	-	10,250	-	10,250
Assist America	-	-	-	2,021	-	2,021
Al - Elm fees*	-	-	-	8,044	-	8,044
Najm fee*	-	-	-	14,464	-	14,464
Other fees	752		752	3,679	-	3,679
	2,305	-	2,305	62,876	-	62,876

*Reclassified as Acquisition Expenses, thus not part of the General and Administrative Expenses Note

	Insurance Operations	**Shareholders' Operations**	**Total**	Insurance Operations	Shareholders' Operations	Total
Fix cost						
Employee salaries and costs	**166,447**	-	**166,447**	177,889	-	177,889
Rent	**8,992**	-	**8,992**	11,082	-	11,082
Outsources	**22,795**	-	**22,795**	18,508	-	18,508
Depreciation & amortization	**13,418**	-	**13,418**	10,099	-	10,099
Professional fees	**16,069**	**665**	**16,734**	26,038	1,091	27,129
Repair and maintenance	**5,049**	-	**5,049**	6,103	-	6,103
Communication	**6,066**	-	**6,066**	5,635	-	5,635
Stationery	**547**	-	**547**	537	-	537
Promotion and advertising	**1,681**	-	**1,681**	3,790	-	3,790
Hospitality and business trip	**2,407**	-	**2,407**	2,460	5	2,465
Utilities	**1,559**	-	**1,559**	1,695	-	1,695
Board of directors and other committees fees	-	**2,948**	**2,948**	-	3,493	3,493
VAT on reinsurance commission	-	-	-	18,565	-	18,565
Other expenses	**424**	-	**424**	18,620	129	18,749
	245,454	**3,613**	**249,067**	301,021	4,718	305,739
Total	**247,759**	**3,726**	**251,485**	363,897	4,718	368,615

26 OTHER INCOME

	SAR'000	
	31 December 2022	31 December 2021
Income from Travel covid Coinsurance	**7,395**	1,554
Income from Hajj and Umrah share agreement	**8,858**	17
Income from Surplus Reversal	**62,880**	-
Reversal of Write-Off on Related Party Receivables	**4,272**	-
Others (incl. Exchange Rate differences)	**16,827**	3,238
	100,232	4,809

27 ZAKAT AND INCOME TAX

a) Movement in the provision for zakat and income tax during the year

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

	SAR '000	
	31 December 2022	31 December 2021
At the beginning of the year	**14,025**	12,767
Charge - current year	**4,534**	4,000
Charge - prior year	**(14,025)**	-
Payments during the year	**-**	(2,742)
At the end of the year	**4,534**	14,025

The provision for zakat and income tax for the year is 4,534 thousand (31 December 2021: SR 14,025 thousand).

b) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year up to 31 December 2021 with the Zakat, Tax and Customs Authority (ZATCA). The Company has received final clearance certificate till 2016 and final assessments from the year 2017 and onwards are awaited from the ZATCA.

During the year 2020 the company lost its appeal to ZATCA to recover the remaining SAR 12.6m of what it considered to be an overpaid amount of tax of SAR 23.2m related to 2018 and 2019 and filed another appeal. The decision of the appeal is still not clear as at 31 December 2022.

c) Deferred tax liability

	SAR '000	
	31 December 2022	31 December 2021
Opening deferred tax (liability)	**(2,438)**	(1,438)
Origination or reversal of temporary differences	**(750)**	(1,000)
Closing deferred tax (liability)	**(3,188)**	(2,438)

This deferred tax arises on the following temporary differences.

	SAR '000	
	31 December 2022	31 December 2021
End of service	**(33,787)**	(28,770)
Provision on receivable	**(237,678)**	(280,260)
Accelerated depreciation	**350,024**	332,863
Fair value gain	**(19,662)**	25,682
Net taxable temporary difference	**58,897**	49,515
Deferred tax liability	**(3,188)**	(2,438)

28 SHARE CAPITAL

a) Share capital

The authorized and paid up share capital of the Company is SAR 1,050 million divided into 105 million shares of SAR 10 each.

b) Loss per share

Loss per share has been calculated by dividing the net loss for the year by the weighted average number of shares outstanding as of the reporting date.

	SAR '000	
	31 December 2022	31 December 2021
Net loss for the year	**(315,206)**	(140,588)
Weighted average number of ordinary shares	**105,000**	105,000
Loss per share	**(3.00)**	(1.34)

29 ACCRUED COMMISSION ON STATUTORY DEPOSIT

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 31,648 thousand (31 December 2021: SAR 28,158 thousand). This commission cannot be withdrawn without the consent of Saudi Central Bank ("SAMA").

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

31 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. 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.

b) Contingencies and capital commitments

As at 31 December 2022, the Company's banker has issued letters of guarantee of SR 103,143 thousand (31 December 2021: SR 120,679 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 7). The Company had no capital commitments in 2022 (31 December 2021: nil).

c) Contingent liability

The Company, is subject to a litigation, based on independent legal advice, the Company does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

32 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as set out below.

Segment results do not include allocation of general and administrative expenses, allowance for doubtful debt, special commission income and other income to operating segments as these are reported and monitored on an overall basis.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, premiums and reinsurance balances receivable, prepayments and other assets, due from a related party, intangible assets, statutory deposit and property and equipment, net, as these are reported and monitored on a total basis.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, surplus distribution payable, end of service benefits, account and commission payable, due to a related party, zakat and tax and commissions payable to SAMA.

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and surplus from the insurance operations are allocated to this segment on an appropriate basis as approved by management.

32 Operating segments

As at December 31, 2022

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
				SAR'000		
Assets						
Reinsurers' share of unearned premiums	(47)	54,477	145,986	200,416	-	200,416
Reinsurers' share of outstanding claims	2,811	11,966	363,969	378,746	-	378,746
Reinsurers' share of claims Incurred but not reported	17,782	27,823	77,665	123,270	-	123,270
Deferred policy acquisition costs	48,635	53,878	17,423	119,936	-	119,936
Unallocated assets				2,505,806	703,816	3,209,622
Total assets	69,181	148,144	605,043	3,328,174	703,816	4,031,990
Liabilities						
Gross unearned premiums	628,174	363,190	170,505	1,161,869	-	1,161,869
Unearned reinsurance commission	-	(1,869)	16,445	14,576	-	14,576
Gross outstanding claims	215,418	59,685	409,730	684,833	-	684,833
Claims incurred but not reported	549,704	86,130	98,447	734,281	-	734,281
Premium deficiency reserves	12,221	112,303	5,410	129,934	-	129,934
Other technical reserves	18,989	16,358	6,390	41,737	-	41,737
Unallocated liabilities and insurance operations` surplus				579,540	40,160	619,700
Total liabilities and insurance operations` surplus	1,424,506	635,797	706,927	3,346,770	40,160	3,386,930

32 Operating segments

As at December 31, 2021

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
				SAR'000		
Assets						
Reinsurers' share of unearned premiums	46,174	80,809	133,872	260,855	-	260,855
Reinsurers' share of outstanding claims	39,569	4,856	502,115	546,540	-	546,540
Reinsurers' share of claims Incurred but not reported	50,221	36,779	92,028	179,028	-	179,028
Deferred policy acquisition costs	29,035	12,079	8,783	49,897	-	49,897
Unallocated assets				2,020,051	1,068,910	3,088,961
Total assets	164,999	134,523	736,798	3,056,371	1,068,910	4,125,281
Liabilities						
Gross unearned premiums	536,670	203,270	157,713	897,653	-	897,653
Unearned reinsurance commission	-	6,263	11,771	18,034	-	18,034
Gross outstanding claims	181,704	16,653	545,450	743,807	-	743,807
Claims incurred but not reported	269,706	85,043	108,615	463,364	-	463,364
Premium deficiency reserves	26,872	46,675	4,263	77,810	-	77,810
Other technical reserves	21,536	35,422	8,984	65,942	-	65,942
Unallocated liabilities and insurance operations` surplus				798,529	45,493	844,022
Total liabilities and insurance operations` surplus	1,036,488	393,326	836,796	3,065,139	45,493	3,110,632

32 Operating segments

	For the year ended December 31, 2022					
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
REVENUES						
Gross premiums written						
-Direct	1,801,574	741,640	311,388	2,854,602	-	2,854,602
-Reinsurance	-	-	-	-	-	-
	1,801,574	741,640	311,388	2,854,602	-	2,854,602
Re-insurance premiums ceded						
-Local	(1,850)	(14,715)	(10,261)	(26,826)	-	(26,826)
-Abroad	(2,443)	(95,881)	(258,699)	(357,023)	-	(357,023)
	(4,293)	(110,596)	(268,960)	(383,849)	-	(383,849)
Excess of loss expenses – local		(537)	(1,298)	(1,835)	-	(1,835)
Excess of loss expenses – foreign	-	(2,024)	(17,467)	(19,491)	-	(19,491)
Net premiums written	1,797,281	628,483	23,663	2,449,427	-	2,449,427
Changes in unearned premiums, net	(137,726)	(186,251)	(678)	(324,655)	-	(324,655)
Net premiums earned	1,659,555	442,232	22,985	2,124,772	-	2,124,772
Re-insurance commission income/(expense)	(12,088)	(7,956)	25,427	5,383	-	5,383
TOTAL REVENUES	1,647,467	434,276	48,412	2,130,155	-	2,130,155
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(1,450,118)	(639,736)	(71,749)	(2,161,603)	-	(2,161,603)
Expenses incurred related to claims	(19,594)	(16,478)	(7,237)	(43,309)	-	(43,309)
Hospital discount	106,424	-	-	106,424		106,424
Reinsurers' share of claims paid	129,865	177,525	65,180	372,570	-	372,570
Net claims and other benefits paid	(1,233,423)	(478,689)	(13,806)	(1,725,918)	-	(1,725,918)
Changes in outstanding claims, net	(70,473)	(35,922)	(2,425)	(108,820)	-	(108,820)
Changes in incurred but not reported claims, net	(312,438)	(10,043)	(4,194)	(326,675)	-	(326,675)
Net claims and other benefits incurred	(1,616,334)	(524,654)	(20,425)	(2,161,413)	-	(2,161,413)
Premium deficiency reserve	14,651	(65,629)	(1,146)	(52,124)	-	(52,124)
Other technical reserves	2,547	19,064	2,595	24,206	-	24,206
Policy acquisition costs	(69,990)	(82,559)	(27,629)	(180,178)	-	(180,178)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,669,126)	(653,778)	(46,605)	(2,369,509)	-	(2,369,509)
NET UNDERWRITING (LOSS)/INCOME	(21,659)	(219,502)	1,807	(239,354)	-	(239,354)
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of doubtful debts				1,168	-	1,168
General and administrative expenses				(247,759)	(3,726)	(251,485)
Special commission income				1,694	24,061	25,755
Income from investment in associate				-	3,920	3,920
Realized gain on available for sale investment				-	29,033	29,033
Dividend income				-	6,784	6,784
Other income				100,232	-	100,232
Total Other Operating Expenses, net				(144,665)	60,072	(84,593)
Net (loss)\income for the year before appropriation and before zakat and income tax				(384,019)	60,072	(323,947)

32 Operating segments

For the year ended December 31, 2021

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
				SAR'000		
REVENUES						
Gross premiums written						
-Direct	1,487,846	431,536	316,840	2,236,222	-	2,236,222
-Reinsurance	-	-	-	-	-	-
	1,487,846	431,536	316,840	2,236,222	-	2,236,222
Re-insurance premiums ceded						
-Local	(110,742)	-	(71,735)	(182,477)	-	(182,477)
-Abroad	(229,995)	(171,416)	(189,590)	(591,001)	-	(591,001)
	(340,737)	(171,416)	(261,325)	(773,478)	-	(773,478)
Excess of loss expenses – local	(1,975)	(619)	(1,243)	(3,837)	-	(3,837)
Excess of loss expenses – foreign	(37,525)	(6,253)	(14,675)	(58,453)	-	(58,453)
Net premiums written	1,107,609	253,248	39,597	1,400,454	-	1,400,454
Changes in unearned premiums, net	198,666	(33,299)	575	165,942	-	165,942
Net premiums earned	1,306,275	219,949	40,172	1,566,396	-	1,566,396
Re-insurance commission income	38,133	58,074	31,126	127,333	-	127,333
TOTAL REVENUES	1,344,408	278,023	71,298	1,693,729	-	1,693,729
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(1,656,088)	(359,659)	(134,743)	(2,150,490)	-	(2,150,490)
Expenses incurred related to claims	(10,474)	(6,378)	(5,289)	(22,141)	-	(22,141)
Hospital discount	108,080	-	-	108,080	-	108,080
Reinsurers' share of claims paid	345,191	156,867	122,719	624,777	-	624,777
Net claims and other benefits paid	(1,213,291)	(209,170)	(17,313)	(1,439,774)	-	(1,439,774)
Changes in outstanding claims, net	31,470	(12,857)	(4,390)	14,223	-	14,223
Changes in incurred but not reported claims, net	47,014	25,283	(4,414)	67,883	-	67,883
Net claims and other benefits incurred	(1,134,807)	(196,744)	(26,117)	(1,357,668)	-	(1,357,668)
Premium deficiency reserve	(6,948)	(37,161)	(2,246)	(46,355)	-	(46,355)
Other technical reserves	(6,941)	(28,080)	(3,627)	(38,648)	-	(38,648)
Policy acquisition costs	(50,176)	(25,632)	(20,717)	(96,525)	-	(96,525)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,198,872)	(287,617)	(52,707)	(1,539,196)	-	(1,539,196)
NET UNDERWRITING INCOME	145,536	(9,594)	18,591	154,533	-	154,533
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of doubtful debts				24,514	-	24,514
General and administrative expenses				(363,897)	(4,718)	(368,615)
Special commission income				1,392	13,949	15,341
Income from investment in associate				-	3,771	3,771
Realized gain on available for sale investment				-	22,501	22,501
Dividend income				-	7,558	7,558
Other income				4,809	-	4,809
Total Other Operating Expenses, net				(333,182)	43,061	(290,121)
Net income for the year before appropriation and before zakat and income tax				(178,649)	43,061	(135,588)

32 Operating segments

	For the year ended December 31, 2022			
	Medical	**Motor**	**Property & casualty**	**Total**
		SAR'000		
Gross premiums written				
Large enterprise	**757,701**	**56,026**	**252,039**	**1,065,766**
Medium enterprise	**740,150**	**16,679**	**35,365**	**792,194**
Small enterprise	**197,923**	**14,141**	**16,498**	**228,562**
Micro enterprise	**90,389**	**19,967**	**6,154**	**116,510**
Individual	**15,411**	**634,827**	**1,332**	**651,570**
TOTAL GROSS PREMIUMS WRITTEN	**1,801,574**	**741,640**	**311,388**	**2,854,602**

	For the year ended December 31, 2021			
Operating segments	Medical	Motor	Property & casualty	Total
		SAR'000		
Gross premiums written				
Large enterprise	1,104,020	86,062	264,285	1,454,367
Medium enterprise	142,570	14,805	33,757	191,132
Small enterprise	160,254	40,244	11,989	212,487
Micro enterprise	79,950	5,081	5,149	90,180
Individual	1,052	285,344	1,660	288,056
TOTAL GROSS PREMIUMS WRITTEN	1,487,846	431,536	316,840	2,236,222

33 RISK MANAGEMENT

33.1 Risk governance

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

33.2 Risk management structure

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

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

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

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

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

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims severity, actual benefits paid and subsequent development of long term claims are different than expected. Therefore the objective of the Company is to ensure that sufficient resources are available to cover these liabilities. The insurance risk arising from insurance contracts is mainly concentrated in the Kingdom of Saudi Arabia.

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. There is no single counterparty exposure that exceeds 35% of total reinsurance assets at the reporting date.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly motor and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. Substantially all of the motor contracts relate to private individuals. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2,000 thousand (31 December 2021: SR 2,000 thousand).

Medical
The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The company does not have any reinsurance coverage for medical line of business.

33 RISK MANAGEMENT (continued)

a) Insurance risk (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. The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the overall claims ratio (Incurred Claims and PDR over Earned Premium) would impact income by approximately SR 106,238 thousand (31 December 2021: SR 67,883 thousand) if all other assumptions remain unchanged.

b) Re-insurance risk

In common with other insurance companies, 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. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

Although the company has reinsurance arrangements its is not relieved of its direct obligations to its policyholders in the event that the reinsurer failed to meet its obligation.

c) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company is not in compliance with solvency margin requirement as prescribed by SAMA.

33 RISK MANAGEMENT (continued)

d) Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the investment officer in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	SR'000	
	December 31, 2022	December 31, 2021
ASSETS, INSURANCE OPERATIONS		
Cash and cash equivalents (other than cash in hand)	**322,775**	207,714
Available for sale Investments	**-**	30,789
Premiums and reinsurance balances receivable, net	**644,748**	838,577
Advances to employees	**7,369**	13,081
Advances to suppliers	**22,820**	24,363
Accrued special commission income	**-**	17
Reinsurers' share of outstanding claims	**378,746**	546,540
Reinsurers' share of Claim incurred but not reported	**123,270**	179,028
Due from related party, net	**4,384**	1,994
	1,504,112	1,842,103
ASSETS, SHAREHOLDERS' OPERATIONS		
Cash and cash equivalents (other than cash in hand)	**108,156**	389,968
Short term deposits	**231,240**	50,000
Available for sale Investments	**756,714**	631,650
Statutory deposit	**157,500**	120,000
Accrued commission on statutory deposit	**31,648**	28,158
Accrued special commission income	**15,719**	5,929
	1,300,977	1,225,705
TOTAL ASSETS	**2,805,089**	3,067,808

33 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

Maturity profiles

Unearned premiums and reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. The table below summarises the maturity profile of the non-derivative financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	SAR'000		
	December 31, 2022		
	Up to one year	More than one year	Total
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**237,773**	**-**	**237,773**
Accounts and commission payable	**122,512**	**-**	**122,512**
Reinsurance balances payable	**175,060**	**-**	**175,060**
Gross outstanding claims	**684,833**	**-**	**684,833**
Claim incurred but not reported	**734,281**	**-**	**734,281**
Surplus distribution payable	**5,516**	**-**	**5,516**
	1,959,975	**-**	**1,959,975**
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	**1,035**	**-**	**1,035**
Commission payable on statutory deposit	**31,648**	**-**	**31,648**
	32,683	**-**	**32,683**
TOTAL FINANCIAL LIABILITIES	**1,992,658**	**-**	**1,992,658**

	SAR'000		
	December 31, 2021		
	Up to one year	More than one year	Total
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	264,295	-	264,295
Accounts and commission payable	256,861	-	256,861
Reinsurance balances payable	155,259	-	155,259
Gross outstanding claims	743,807	-	743,807
Claim incurred but not reported	463,364	-	463,364
Surplus distribution payable	82,762	-	82,762
	1,966,348	-	1,966,348
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	872	-	872
Commission payable on statutory deposit	28,158	-	28,158
	29,030	-	29,030
TOTAL FINANCIAL LIABILITIES	1,995,378	-	1,995,378

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the non-derivative financial liabilities of the Company.

33 RISK MANAGEMENT (continued)

f) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

g) Special commission rate risk

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

The Company is exposed to special commission rate risk on its certain investments, cash and cash equivalents, and time deposits. The Company limits special

commission rate risk by monitoring changes in special commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statements of insurance operations and the shareholders income to reasonably possible changes in commission rates of the Company's term deposits, with all other variables held constant.

31 December 2022	**Change in variable**	**Impact on net income**
Currency	**+ 50 basis points**	**1,356**
Saudi Riyal	**- 50 basis points**	**(1,356)**

31 December 2021	Change in variable	Impact on net income
Currency	+ 50 basis points	1,925
Saudi Riyal	- 50 basis points	(1,925)

h) Market price risk

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

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

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders comprehensive income / (loss) and statement of insurance operations' comprehensive income / loss is set out below:

	Change in market price	**Effect on statement of shareholders comprehensive income**
31 December 2022	**+5%**	**30,734**
	-5%	**(30,734)**
31 December 2021	+5%	26,366
	-5%	(26,366)

i) Capital management

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.

33 RISK MANAGEMENT (continued)

i) Capital management (Continued)

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 200 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company uses Premium Method for determining its solvency requirements. As at 31 December 2022, the solvency coverage is lower than the required minimum margin. The capital structure of the Company as at 31 December 2022 consists of paid-up share capital of SAR 1,050 million, share premium SAR 70 million, Statutory reserves of SAR 26 million and accumulated losses, remeasurement of Employee Benefits and Fair Value Reserve of SAR 509 million (December 31, 2021: paid-up share capital of SAR 1,050 million, legal reserves of SAR 26 million and accumulated losses, remeasurement of Employee Benefits and AFS Reserve of SAR131 million.) in the statement of financial position.

j) Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in medical and 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 neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

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

k) 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. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

33 RISK MANAGEMENT (continued)

l) Process used to decide on assumptions

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly 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. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

34 SUPPLEMENTARY INFORMATION

STATEMENT OF FINANCIAL POSITION

	SAR '000					
	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	322,775	108,156	430,931	207,714	389,968	597,682
Short term deposits	-	231,240	231,240	-	50,000	50,000
Premium and reinsurers' receivable, net	644,748	-	644,748	838,577	-	838,577
Reinsurers' share of unearned premiums	200,416	-	200,416	260,855	-	260,855
Reinsurers' share of outstanding claims	378,746	-	378,746	546,540	-	546,540
Reinsurers' share of claims incurred but not reported	123,270	-	123,270	179,028	-	179,028
Deferred policy acquisition costs	119,936	-	119,936	49,897	-	49,897
Due from related parties, net	4,384	-	4,384	1,994	-	1,994
Due from / to shareholders' / insurance operation	1,119,308	(1,119,308)	-	678,594	(678,594)	-
Prepayment and other assets, net	369,008	15,719	384,727	225,682	5,929	231,611
Available for sale investments	-	756,714	756,714	30,789	631,650	662,439
Right of use assets, net	3,624	-	3,624	8,129	-	8,129
Property and equipment, net	17,579	30,000	47,579	16,464	30,000	46,464
Intangible assets, net	24,380	-	24,380	12,108	-	12,108
Statutory deposit	-	157,500	157,500	-	120,000	120,000
Investment in an associate	-	12,147	12,147	-	11,799	11,799
Accrued commission on statutory deposit	-	31,648	31,648	-	28,158	28,158
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	3,328,174	703,816	4,031,990	3,056,371	1,068,910	4,125,281

34 SUPPLEMENTARY INFORMATION (Continued)

STATEMENT OF FINANCIAL POSITION (Continued)

	SAR '000					
	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Accrued expenses and other liabilities	237,773	1,035	238,808	264,295	872	265,167
Accounts and commission payable	122,512	-	122,512	256,861	-	256,861
Lease liability	3,633	-	3,633	8,534	-	8,534
Reinsurers' balances payable	175,060	-	175,060	155,259	-	155,259
Gross unearned premiums	1,161,869	-	1,161,869	897,653	-	897,653
Unearned reinsurance commission	14,576	-	14,576	18,034	-	18,034
Gross outstanding claims	684,833	-	684,833	743,807	-	743,807
Claims incurred but not reported	734,281	-	734,281	463,364	-	463,364
Premium deficiency reserve	129,934	-	129,934	77,810	-	77,810
Other technical reserves	41,737	-	41,737	65,942	-	65,942
Due to a related party	1,259	-	1,259	2,048	-	2,048
End of service indemnities	33,787	-	33,787	28,770	-	28,770
Surplus distribution payable	5,516	-	5,516	82,762	-	82,762
Zakat & income tax	-	4,289	4,289	-	14,025	14,025
Deferred tax liability	-	3,188	3,188	-	2,438	2,438
Accrued commission income payable to SAMA	-	31,648	31,648	-	28,158	28,158
TOTAL LIABILITIES	3,346,770	40,160	3,386,930	3,065,139	45,493	3,110,632
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS						
Fair values reserve gain on investments	-	-	-	789	-	789
Re-measurement of defined benefit liability – employees benefits	(18,596)	-	(18,596)	(9,557)	-	(9,557)
TOTAL INSURANCE OPERATIONS' (DEFICIT)	(18,596)	-	(18,596)	(8,768)	-	(8,768)
SHAREHOLDERS' EQUITY						
Share capital	-	1,050,000	1,050,000	-	1,050,000	1,050,000
Share premium	-	70,000	70,000	-	70,000	70,000
Statutory reserve	-	26,135	26,135	-	26,135	26,135
Accumulated losses	-	(462,817)	(462,817)	-	(147,611)	(147,611)
Fair values reserve gain on investments	-	(19,662)	(19,662)	-	24,893	24,893
TOTAL SHAREHOLDERS' EQUITY	-	663,656	663,656	-	1,023,417	1,023,417
TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY	3,328,174	703,816	4,031,990	3,056,371	1,068,910	4,125,281

34 SUPPLEMENTARY INFORMATION (Continued)
STATEMENT OF INCOME

	SAR '000					
	December 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
-Direct	2,854,602		2,854,602	2,236,222	-	2,236,222
-Reinsurance	-	-	-	-	-	-
	2,854,602	-	2,854,602	2,236,222	-	2,236,222
Reinsurance premiums ceded						
-Local	(26,826)	-	(26,826)	(182,477)	-	(182,477)
-Abroad	(357,023)	-	(357,023)	(591,001)	-	(591,001)
	(383,849)	-	(383,849)	(773,478)	-	(773,478)
Excess of loss expenses – local	(1,835)	-	(1,835)	(3,837)	-	(3,837)
Excess of loss expenses – foreign	(19,491)	-	(19,491)	(58,453)	-	(58,453)
Net written premiums	2,449,427	-	2,449,427	1,400,454	-	1,400,454
Changes in unearned premiums, net	(324,655)	-	(324,655)	165,942	-	165,942
Net premiums earned	2,124,772	-	2,124,772	1,566,396	-	1,566,396
Re-insurance commissions	5,383	-	5,383	127,333	-	127,333
TOTAL REVENUES	2,130,155	-	2,130,155	1,693,729	-	1,693,729
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(2,161,603)	-	(2,161,603)	(2,150,490)	-	(2,150,490)
Expenses incurred related to claims	(43,309)	-	(43,309)	(22,141)	-	(22,141)
Hospital discount	106,424	-	106,424	108,080	-	108,080
Reinsurers' share of claims paid	372,570	-	372,570	624,777	-	624,777
Net claims and other benefits paid	(1,725,918)	-	(1,725,918)	(1,439,774)	-	(1,439,774)
Changes in outstanding claims, net	(108,820)	-	(108,820)	14,223	-	14,223
Changes in incurred but not reported claims, net	(326,675)	-	(326,675)	67,883	-	67,883
Net claims and other benefits incurred	(2,161,413)	-	(2,161,413)	(1,357,668)	-	(1,357,668)
Additional premium deficiency reserve	(52,124)	-	(52,124)	(46,355)	-	(46,355)
Other technical reserves	24,206	-	24,206	(38,648)	-	(38,648)
Policy acquisition costs	(180,178)		(180,178)	(96,525)		(96,525)
TOTAL UNDERWRITING COSTS AND EXPENSES	(2,369,509)	-	(2,369,509)	(1,539,196)	-	(1,539,196)
NET UNDERWRITING (LOSS)/INCOME	(239,354)	-	(239,354)	154,533	-	154,533
OTHER OPERATING (EXPENSES)/ INCOME						
Reversal of doubtful debts	1,168	-	1,168	24,514	-	24,514
General and administrative expenses	(247,759)	(3,726)	(251,485)	(363,897)	(4,718)	(368,615)
Special commission income	1,694	24,061	25,755	1,392	13,949	15,341
Income from investment in associate	-	3,920	3,920	-	3,771	3,771
Realized gain on available for sale investment	-	29,033	29,033	-	22,501	22,501
Dividend income	-	6,784	6,784	-	7,558	7,558
Other income	100,232	-	100,232	4,809	-	4,809
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(144,665)	60,072	(84,593)	(333,182)	43,061	(290,121)
NET (LOSS) FOR THE YEAR BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	(384,019)	60,072	(323,947)	(178,649)	43,061	(135,588)
Shareholders' appropriation from deficit	-	-	-	-	-	-
NET (LOSS) / INCOME FOR THE YEAR AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	-	(323,947)	(323,947)	-	(135,588)	(135,588)
Zakat and income tax						
Current zakat and income tax reversal (expense)	-	9,491	9,491	-	(4,000)	(4,000)
Deferred tax	-	(750)	(750)	-	(1,000)	(1,000)
Net (loss) for the year	-	(315,206)	(315,206)	-	(140,588)	(140,588)

34 SUPPLEMENTARY INFORMATION (Continued)

STATEMENT OF COMPREHENSIVE INCOME

	For the Year ended December 31					
	SAR '000					
	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) for the year	-	(315,206)	(315,206)	-	(140,588)	(140,588)
Other comprehensive (loss) / income						
Item that will not be reclassified to statement of income in subsequent period						
-Re-measurement of employees end of service indemnities	(9,039)	-	(9,039)	(4,052)	-	(4,052)
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	(789)	(44,555)	(45,344)	287	(13,241)	(12,954)
TOTAL COMPREHENSIVE (LOSS)	(9,828)	(359,761)	(369,589)	(3,765)	(153,829)	(157,594)
Reconciliation: **Less:** Net income attributable to insurance operations and transferred to surplus distribution payable.			-			-
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR			(369,589)			(157,594)

34 SUPPLEMENTARY INFORMATION

STATEMENT OF CASH FLOWS

	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the year ended December 31, 2022			For the year ended December 31, 2021		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) for the year before zakat and income tax	-	(323,947)	(323,947)	-	(135,588)	(135,588)
Adjustments for non-cash items						
Depreciation and amortization	13,418		13,418	10,099	-	10,099
Depreciation for Right of use assets	7,895		7,895			
Realized gain on investments	-	(29,033)	(29,033)	-	(22,501)	(22,501)
Share of profit from associate	-	(3,920)	(3,920)	-	(3,771)	(3,771)
Reversal of allowance for doubtful debts	(1,168)	-	(1,168)	(24,514)	-	(24,514)
Reversal of write-off on other receivables	(4,272)	-	(4,272)			
Finance cost on lease liability	211	-	211	401	-	401
Provision for end of service indemnities	6,157	-	6,157	5,120	-	5,120
	22,241	(356,900)	(334,659)	(8,894)	(161,860)	(170,754)
Changes in operating assets and liabilities						
Premiums and reinsurers' receivable	193,829	-	193,829	52,920	-	52,920
Reinsurers' share of unearned premiums	60,439	-	60,439	(40,554)	-	(40,554)
Reinsurers' share of outstanding claims	167,794	-	167,794	(72,518)	-	(72,518)
Reinsurers' share of claims Incurred but not reported	55,758	-	55,758	82,954	-	82,954
Deferred policy acquisition costs	(70,039)	-	(70,039)	10,259	-	10,259
Prepayment and other assets	(143,326)	(9,790)	(153,116)	1,056	(2,825)	(1,769)
Deposit against letter of guarantee	17,536	-	17,536	(41,835)	-	(41,835)
Accounts and commission payable	(134,349)	-	(134,349)	112,146	-	112,146
Accrued expenses and other liabilities	(26,522)	(82)	(26,604)	73,175	(140)	73,035
Reinsurers' balances payable	19,801	-	19,801	(10,272)	-	(10,272)
Gross unearned premiums	264,216	-	264,216	(125,388)	-	(125,388)
Unearned reinsurance commission	(3,458)	-	(3,458)	(14,880)	-	(14,880)
Gross outstanding claims	(58,974)	-	(58,974)	58,295	-	58,295
Claims incurred but not reported	270,917	-	270,917	(150,837)	-	(150,837)
Premium deficiency reserve	52,124	-	52,124	46,354	-	46,354
Other technical reserves	(24,205)	-	(24,205)	38,648	-	38,648
Due from related parties	(2,390)	-	(2,390)	-	-	-
Due to related party	(789)	-	(789)	1,297	-	1,297
	660,603	(366,772)	293,831	11,926	(164,825)	(152,899)
Surplus paid to policyholders	(10,001)	-	(10,001)	(6,631)	-	(6,631)
Surplus reverse to policyholders	(62,880)	-	(62,880)			
Payment of employees end of service indemnities	(10,179)	-	(10,179)	(4,807)	-	(4,807)
Zakat and income tax paid	-	-	-	-	(2,742)	(2,742)
Net cash (used in) / generated from operating activities	577,543	(366,772)	210,771	488	(167,567)	(167,079)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend from investment in associate	-	3,572	3,572	-	1,706	1,706
Increase in statutory deposit	-	(37,500)	(37,500)	-	-	-
Purchase of available for sale investments	-	(491,471)	(491,471)	(77,500)	(242,576)	(320,076)
Proceeds from disposal of available for sale investments	35,440	350,885	386,325	57,500	200,600	258,100
Placements in fom short term deposits, net	-	(181,240)	(181,240)	-	(31,523)	(31,523)
Additions in property, equipment and intangible	(26,805)	-	(26,805)	(15,029)	-	(15,029)
Net cash generated (used in) / from investing activities	8,635	(355,754)	(347,119)	(35,029)	(71,793)	(106,822)
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase of share capital	-	-	-	-	350,000	350,000
Share premium	-	-	-	-	70,000	70,000
Lease Liability	(5,112)	-	(5,112)	(8,062)	-	(8,062)
Transaction cost related to increase in capital	-	-	-	-	(7,454)	(7,454)
Due to / (from) shareholders operation	(440,714)	440,714	-	(150,706)	150,706	-
Net cash generated (used in) / from financing activities	(445,826)	440,714	(5,112)	(158,768)	563,252	404,484
Net change in cash and cash equivalents	140,352	(281,812)	(141,460)	(193,309)	323,892	130,583
Cash and cash equivalents, beginning of the year	79,280	389,968	469,248	272,589	66,076	338,665
Cash and cash equivalents, end of the year	219,632	108,156	327,788	79,280	389,968	469,248

35 COMPARATIVE FIGURES

Whereby figures (related to Acquisition Costs and General and Administrative Expenses) have been reclassified, this has been indicated in the footnotes to the related disclosure.

36 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company, on 10 April 2023 (Corresponding to 19 Ramadan 1444H).

Thank you

ميدغلف
MEDGULF

800 441 4442
www.medgulf.com.sa