ARABIAN SHIELD COOPERATIVE INSURANCE COMPANY

A SAUDI JOINT STOCK COMPANY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANY DETAILS

Chairman

HH Prince Naif Bin Sultan Bin Saud Al Kabeer

Vice Chairman

Mr. Sameer Al Wazzan

Board of Directors

HH Prince Naif Bin Sultan Bin Saud Al Kabeer
Mr. Sameer Al Wazzan
Mr. Abdallah Al Obeikan
Mr. Turki Al Mutawa
Mr. Mohammed Bin Ali
Mr. Raed Al Saif
Mr. Mohammed Alkinani
Mr. Saud Bajbair
Mr. Abdullah Al Meshal

Chief Executive Officer

Mr. Bassel Al Abdulkarim

Board Secretary

Mr. Abdulaziz Bin Saeed

Head Office

5th Floor, Cercon Building No. 15
Olaya Street
PO Box 61352
Riyadh 11565
Saudi Arabia

Telephone	+ 966 11 250 5400
Website	www.der3.com

Commercial Registration

CR No. 1010234323

Principal Bankers

The Saudi British Bank (SABB)
Riyadh, Saudi Arabia

Auditors

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

Al Kharashi & Co.
Certified Accountants and Auditors
Riyadh, Saudi Arabia

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

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Arabian Shield Cooperative Insurance Company (the "Company), which comprise the statement of financial position as at December 31, 2022, the statements of income, comprehensive income, statements of changes in shareholders' equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 40.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's 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 that are 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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. The key audit matters include:

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

Key audit matters (continued)

Business combination

Key audit matter	***How the matter was addressed in our audit***
During the year of 2022, the shareholders of the Company, in the EGM held on December 09, 2021 corresponding to 05 Jumada Al-Ula 1443H approved the proposed merger of the Company and Alahli Takaful Company "ATC", through the issuance of 1.43114769137705 new shares in the Company for each share in ATC in accordance with terms and conditions of the Merger Agreement. Further to the receipt of regulatory approvals, on January 12, 2022, the Company completed a statutory merger with ATC. On this date, the net assets and business activities of ATC were transferred to the Company in exchange for newly issued shares of the Company. Arabian Shield Cooperative Insurance Company completed the merger with ATC for a total purchase consideration of SAR 594.404 million. This transaction has been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. During the year, the Company also completed a comprehensive purchase price allocation ("PPA") exercise, for which management engaged the assistance of an independent third party, and finalized the fair valuation adjustments to the assets acquired and liabilities assumed. As a result, the Company recognized intangible assets of SAR 34.244 million and goodwill of SAR 318.154 million as part of the PPA exercise. The PPA required significant management judgments in determining the fair values of assets acquired and liabilities assumed, including intangible assets which are inherently judgmental due to the specialized nature of most intangible assets and the subjectivity of the assumptions used to appropriately value them. We consider this area as a key audit matter because of: - the scale of the merger transaction and the PPA exercise conducted; - the subjectivity and judgment inherent in determining the fair values of the assets acquired (including intangible assets) and the liabilities assumed; and - the accuracy and completeness of the data used to calculate the components of the PPA; and the related financial statement disclosures.	We performed the following procedures which included, but was not limited, to the following: - We have reviewed the key terms in the merger agreement, the relevant board minutes and the required regulatory approvals to obtain understanding of the business combination transaction; - We involved our specialists and assessed the reasonableness of the calculations and the underlying assumptions, including cash flow projections and discount rates used. - We evaluated the identification and valuation of intangible assets based on our understanding of the business of the acquired entity "ATC", and involved our valuation specialists in discussions with the management to challenge the identification and valuation results and underlying assumptions as determined by the management and the Company's external expert's; - We reviewed and challenged the appropriateness of the useful lives assigned to the identified intangible assets. - We assessed the adequacy and completeness of the disclosures to the financial statements against the relevant IFRS disclosure requirements.

Refer to note 5 which is contain the summary of significant accounting policies for business combinations and the disclosure of purchase consideration, valuation approach and methodologies for other intangibles, identifiable assets acquired and liabilities assumed and purchase price allocation.

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

Key audit matters (continued)

Carrying Value of Goodwill	
Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2022, the Company has a goodwill carrying value amounting to SAR 318.154 million. Goodwill is subject to an annual impairment assessment. 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 ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Based on the management impairment assessment, no impairment charge against goodwill was identified. We considered this as a key audit matter, as the estimation of future cash flows and the assumptions involved in calculating the discounted value of these cash flows both involve the application of management judgement and estimation, as well as a greater level of auditor effort and judgement to evaluate the reasonableness of management judgements and assumptions underpinning the goodwill impairment model.	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 analyzed the identification of different CGUs and assessed whether these were appropriate in line with our understanding of the business and are consistent with the internal reporting of the business. Furthermore, we assessed the reasonableness of allocation of goodwill to each identified CGU. 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 sensitivity of the results of the VIU model to the various key assumptions, such as long term growth rate and discount rate. 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. We assessed the adequacy and completeness of the disclosures to the financial statements against the relevant IFRS disclosure requirements.
Refer to the summary of significant accounting policies note 4-V for goodwill and note 6 which contains the disclosure of goodwill and the impairment testing of goodwill	

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

Key audit matters (continued)

Valuation of ultimate claim liabilities arising from insurance contracts	
Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2022, outstanding claims including claims incurred but not reported (IBNR) and other reserves related to insurance operations amounted to Saudi Riyals 463.062 million as reported in Note 21 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 methods e.g. Chain ladder method, Bornheutter-Ferguson method, expected loss ratio method etc. are used by the actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. 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.	Our procedures included the following: - Understanding and evaluating key controls around the claims handling and provision setting processes of the Company including completeness and accuracy of claims data used in the actuarial reserving process. - Evaluating the competence, capabilities and objectivity of the management's expert by examining their professional qualifications and experiences and assessing their independence. 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 supporting documents. To challenge management's methodologies and assumptions, we were assisted by an actuary engaged by us as auditor's expert to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following: - Evaluated whether the Company's actuarial methodologies were consistent with those used in the industry and with prior periods, seeking sufficient justification for significant differences. - Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge. - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions.
Refer to the significant accounting policies note 4 to the financial statements, note 4(b) which explain the valuation methodology used by the Company and critical judgments and estimates	

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

Other information

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 management and 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 (IFRS) 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 and the Company's Articles of Association / by-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain jointly responsible for our audit opinion.

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

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

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

AlKharashi & Co.
Certified Accountants And Auditors

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

Auditor's responsibilities for the audit of the financial statements (continued)

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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Al 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

29 March 2023
07 Ramadan 1444H

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

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

ALL AMOUNTS IN SAR '000

STATEMENT OF FINANCIAL POSITION

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	7	146,094	365,555
Short term fixed income deposits	8	342,815	0
Premiums and reinsurers' receivable – net	10	182,099	149,465
Reinsurers' share of unearned gross premiums	18	43,073	41,373
Reinsurers' share of outstanding gross claims	21	149,381	57,553
Reinsurers' share of gross claims incurred but not reported	21	63,670	41,599
Deferred policy acquisition costs		16,074	10,126
Deferred withholding tax		1,458	1,973
Deferred regulators' levies		0	2,199
Unit-Linked Investments	11	554,861	0
Investments	12	636,612	325,638
Due from related parties – net	10 & 31	21,972	12,949
Prepaid expenses and other assets		35,256	36,884
Property and equipment – net	13	5,978	2,713
Intangible assets – net	5 & 14	43,711	10,667
Goodwill	5 & 15	364,948	46,794
Statutory deposit	9	63,852	40,000
Accrued income on statutory deposit	9	6,781	3,134
TOTAL ASSETS		**2,678,635**	**1,148,622**
LIABILITIES			
Accrued and other liabilities		83,523	72,385
Reinsurers' balances payable		40,887	13,874
Unearned gross premiums	18	270,374	189,910
Unearned reinsurance commission	20	8,601	8,792
Outstanding gross claims	21	230,080	87,531
Gross claims incurred but not reported	21	214,139	160,342
Premium deficiency reserve	21	13,525	11,250
Unit reserves	21	557,968	0
Other technical reserves	21	5,318	6,700
Due to related parties	31	1,994	566
Accounts payable	16	37,834	43,864
Withholding tax provision		2,952	3,863
Regulators' levies provision		0	1,655
End-of-service indemnities	36	12,165	10,207
Policyholders' surplus distribution payable	29	28,894	5,120
Zakat	24	49,895	39,216
Income tax	24	819	1,500
Accrued commission income payable to SAMA	9	6,781	3,134
TOTAL LIABILITIES		**1,565,749**	**659,909**
EQUITY			
Share capital	26	638,525	400,000
Share premium	5	355,879	0
Statutory reserve		31,681	26,097
Retained earnings		86,722	64,386
Fair value reserve gain on investments		1,497	990
TOTAL SHAREHOLDERS' EQUITY		**1,114,304**	**491,473**
Re-measurement reserve for end-of-service indemnities		(1,418)	(2,760)
TOTAL EQUITY		**1,112,886**	**488,713**
TOTAL LIABILITIES AND EQUITY		**2,678,635**	**1,148,622**
COMMITMENTS AND CONTINGENCIES	35		

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF INCOME

	Notes	2022	2021
REVENUES			
Gross premiums written	17	1,106,285	558,166
Reinsurance premiums ceded – local		(115,118)	(20,094)
Reinsurance premiums ceded – foreign		(229,963)	(143,482)
Excess of loss expenses	17	(4,136)	(3,780)
Net premiums written		**757,068**	**390,810**
Change in unearned gross premiums	18	(78,379)	543
Change in reinsurers' share of unearned gross premiums	18	316	(30,159)
Net premiums earned	17	**679,005**	**361,194**
Reinsurance commissions	19	35,070	35,947
Other underwriting income		29,300	14,580
TOTAL REVENUES		**743,375**	**411,721**
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	22	(596,118)	(378,971)
Reinsurers' share of claims paid	22	173,713	97,372
Net claims paid	22	**(422,405)**	**(281,599)**
Changes in outstanding gross claims	22	(58,577)	39,403
Changes in reinsurers' share of outstanding gross claims	22	34,027	(39,287)
Changes in gross IBNR	22	(21,079)	10,542
Changes in reinsurers' share of gross IBNR	22	(3,680)	(13,032)
Net claims incurred		**(471,714)**	**(283,973)**
Investible Contribution, Net		(114,273)	0
Premium deficiency reserve	22	(2,275)	4,250
Other technical reserves	22	1,819	6,300
Policy acquisition costs		(26,060)	(15,295)
Withholding tax		(8,090)	(8,350)
Regulators' levies		(2,198)	(3,824)
Other underwriting expenses		(23,076)	(28,840)
TOTAL UNDERWRITING COSTS AND EXPENSES		**(645,867)**	**(329,732)**
NET UNDERWRITING INCOME		**97,508**	**81,989**
OTHER OPERATING INCOME / (EXPENSES)			
Reversal of / (allowance for) doubtful debts		2,866	(5,878)
General and administrative expenses		(82,493)	(56,998)
Depreciation and amortization		(8,885)	(4,382)
Commission income on deposits		11,229	5,402
Commission income on sukuk		6,808	4,531
Dividend investment income		10,293	1,632
Unrealised gain on FVIS investments		6,674	0
Realised gain on FVIS investments		156	0
Realised gain on Available for Sale investments	12	5,276	13,180
TOTAL OTHER OPERATING INCOME / (EXPENSES)		**(48,076)**	**(42,513)**
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX		**49,432**	**39,476**
Attributable to Insurance Operations		(2,881)	(2,869)
SHAREHOLDERS' INCOME BEFORE ZAKAT AND INCOME TAX		**46,551**	**36,607**
Zakat charge	24	(18,492)	(9,713)
Income tax charge	24	(139)	(741)
SHAREHOLDERS' INCOME AFTER ZAKAT AND INCOME TAX		**27,920**	**26,153**
Basic and diluted SAR earnings per share	28	**0.44**	**0.65**

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022	2021
Shareholders' income after zakat and income tax		27,920	26,153
Other comprehensive income / (loss)			
Items that will not be reclassified to statements of income in subsequent periods:			
Actuarial gain / (loss) on end-of-service indemnities	36	1,342	(2,760)
Items that are or may be reclassified to statements of income in subsequent years:			
Net change in fair value of investments	12	5,783	16,596
Realised gains transferred to statement of income	12	(5,276)	(13,180)
Net change in unrealised fair value of investments	12	**507**	**3,416**
COMPREHENSIVE INCOME FOR THE YEAR		**29,769**	**26,809**

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF CHANGES IN EQUITY

2022	Notes	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Shareholders' Equity	Re-measurement for end-of service indemnities	Total Equity
Balance at start of year		**400,000**	**0**	**26,097**	**64,386**	**990**	**491,473**	**(2,760)**	**488,713**
Shareholders' income after zakat and income tax					27,920		27,920		27,920
Actuarial gain on end-of-service indemnities	36							1,342	1,342
Net change in fair value of investments	12					5,783	5,783		5,783
Realised gains transferred to statement of income	12					(5,276)	(5,276)		(5,276)
Net change in unrealised fair value of investments	12					**507**	**507**	**0**	**507**
Comprehensive income for the year					**27,920**	**507**	**28,427**	**1,342**	**29,769**
Issuance of share capital	5	238,525					238,525		238,525
Share premium	5		355,879				355,879		355,879
Transfer to statutory reserve				5,584	(5,584)		0		0
Balance at end of year		**638,525**	**355,879**	**31,681**	**86,722**	**1,497**	**1,114,304**	**(1,418)**	**1,112,886**

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

2021	Notes	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Fair Value Reserve gain/(loss) on investments	Total Shareholders' Equity	Re-measurement for end-of service indemnities	Total Equity
Balance at start of year		**300,000**	**0**	**40,866**	**123,464**	**(2,426)**	**461,904**	**0**	**461,904**
Shareholders' income after zakat and income tax					26,153		26,153		26,153
Actuarial loss on end-of-service indemnities	36							(2,760)	(2,760)
Net change in fair value of investments	12					16,596	16,596		16,596
Realised gains transferred to statement of income	12					(13,180)	(13,180)		(13,180)
Net change in unrealised fair value of investments	12					**3,416**	**3,416**	**0**	**3,416**
Comprehensive income / (loss) for the year					**26,153**	**3,416**	**29,569**	**(2,760)**	**26,809**
Issuance of bonus shares	26	100,000		(20,000)	(80,000)		0		0
Transfer to statutory reserve				5,231	(5,231)		0		0
Balance at end of year		**400,000**	**0**	**26,097**	**64,386**	**990**	**491,473**	**(2,760)**	**488,713**

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2022	2021
Shareholders' income before zakat and income tax		46,551	36,607
Adjustments for non-cash items:			
Depreciation of property and equipment	13	2,347	1,443
Amortisation of intangible assets	14	6,539	2,939
Gain on disposal of property and equipment		(85)	(2)
(Reversal of) / allowance for doubtful debts	10	(2,866)	5,878
Provision for withholding tax		7,575	6,830
Provision for regulators' levies		(1)	4,259
Provision for end-of-service indemnities	36	2,734	1,066
Change in fair value of Unit-linked investments	11	40,541	0
Realised gain on FVIS investments	12.1	(81)	0
Unrealised gain on FVIS investments	12.2	(6,674)	0
Realised gains on disposal of Available for Sale investments	12.2	(5,276)	(13,180)
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable		3,923	(86,100)
Reinsurers' share of unearned gross premiums	18	(316)	30,159
Reinsurers' share of outstanding gross claims		(34,027)	39,287
Reinsurers' share of gross claims incurred but not reported		3,680	13,032
Deferred policy acquisition costs		(5,948)	(3,094)
Deferred third party administrator expenses		0	(4,007)
Deferred withholding tax		515	1,520
Deferred regulators' levies		2,199	(435)
Unit-linked investments		80,730	0
Due from related parties		(11,143)	(5,532)
Prepaid expenses and other assets		15,045	6,588
Accounts payable		(6,476)	2,310
Policyholders' surplus	29	2,881	2,869
Accrued and other liabilities		(20,675)	12,647
Reinsurers' balances payable		(10,276)	(4,952)
Unearned gross premiums	18	78,379	(543)
Unearned reinsurance commission	20	(191)	(5,356)
Outstanding gross claims	22	58,577	(39,403)
Gross claims incurred but not reported	22	21,079	(10,542)
Premium deficiency reserve	22	2,275	(4,250)
Unit reserves	22	(133,369)	0
Other technical reserves	22	(1,819)	(6,300)
Due to related parties		1,199	(28,829)
Payments:			
End-of-service indemnities paid	36	(2,896)	(1,536)
Withholding tax paid		(11,265)	(12,528)
Regulators' levies paid		(1,654)	(5,548)
Surplus paid to policyholders	29	(1,677)	(2,319)
Zakat paid	24	(17,741)	(6,980)
Income tax paid	24	(820)	(993)
Net cash generated from / (used in) operating activities		101,493	(74,995)

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

ALL AMOUNTS IN SAR '000

STATEMENT OF CASH FLOWS (Continued)

	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of short term fixed income deposits		(342,815)	0
Additions of investments		(101,828)	(215,000)
Proceeds from disposal of investments		90,747	152,513
Additions of property and equipment	13	(2,260)	(1,107)
Proceeds from disposal of property and equipment		87	2
Additions of intangible assets	14	(4,509)	(3,603)
Cash & cash equivalent acquired through business combination	5	63,476	0
Increase in Statutory deposit		(23,852)	(10,000)
Net cash used in investing activities		**(320,954)**	**(77,195)**
Net change in cash and cash equivalents		(219,461)	(152,190)
Cash and cash equivalents at start of year		365,555	517,745
Cash and cash equivalents at end of year		**146,094**	**365,555**
NON-CASH INFORMATION			
Net change in unrealised fair value of investments		507	3,416
Actuarial gain / (loss) on end-of-service indemnities		1,342	(2,760)
Bonus shares issued		0	100,000

The accompanying Notes 1 to 40 form an integral part of these Financial Statements.

1. GENERAL

The insurance industry in Saudi Arabia is regulated by the Law on Supervision of Cooperative Insurance Companies ("Cooperative Insurance Law") together with the Implementing Regulations ("Implementing Regulations") promulgated by Royal Decree No. M32 dated 22 Jumad Thani 1424 corresponding to 21 August 2003. Supervision is under the auspices of the Saudi Central Bank ("SAMA" or "Regulator").

Arabian Shield Cooperative Insurance Company ("Company") is a Saudi Joint Stock Company incorporated in Riyadh, Saudi Arabia through Ministerial Resolution issued on 19 May 2007 with Commercial Registration No. 1010234323 issued on 13 June 2007 following on from Royal Decree No. M60 dated 18 Ramadan 1427 corresponding to 11 October 2006. The Commercial Registration Certificate was amended with effect from 12 August 2021 to reflect the increase in share capital following the bonus share issue. The Company was listed on the Saudi Stock Exchange (Tadawul) on 26 June 2007. The registered address of the head office is as follows: 5th Floor, Cercon Building No. 15, Olaya Street, PO Box 61352, Riyadh 11565, Saudi Arabia.

The principal activities for which the Company was licensed were the conducting of insurance and reinsurance business in general and medical classes in Saudi Arabia in accordance with License No. TMN/6/20079 issued on 11 September 2007 by SAMA and the License was renewed for three year periods on 10 August 2010, 07 July 2013, 03 June 2016 and 28 January 2020. SAMA gave approval to the Company to conduct business in the protection and savings class on 26 April 2018. At the Company's request, SAMA approved an amendment to the License to exclude reinsurance business with effect from 30 September 2013.

As per the Articles of Association ("Articles"), the Company may undertake all activities required to transact cooperative insurance operations and related activities and to invest its funds. Its principal lines of business include motor, medical, marine, property, engineering, casualty and protection and savings.

In accordance with the Implementing Regulations, within six months from the date of publication of the annual financial statements each year, the Board of Directors approve the distribution of the surplus from insurance operations as follows:

- The shareholders of the Company receive 90% of the surplus from insurance operations including any surplus from investment activities of the policyholders' invested funds and the policyholders retain the remaining 10%.
- Any deficit arising on insurance operations is transferred to shareholders' operations in full.

The Company and its shareholders own and retain custody of all net assets related to both insurance operations and shareholders' operations and funds are allocated to insurance operations as required.

The fiscal year of the Company runs from 1 January to 31 December.

Cooperative insurance operations commenced with effect from 1 January 2009 following acquisition of the insurance portfolio and related business, assets and liabilities from Arabian Shield Insurance Company EC.

During the year, the share capital increased from 400,000 to 638,525 by issuing of 23,852,462 new shares to acquire Al Ahli Takaful Company (refer to Note 5).

The financial statements have been prepared by combining the portfolios after the merger and the numbers are consolidated accordingly (refer Note 5).

2. STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 these financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and not expected to have a material impact on the Company's financial statements in the period of initial application.

A. 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 first to 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").

1. Structure and status of the implementation project

a) Timeline of four phases, including Dry Runs

To ensure that insurance companies implement IFRS 17 to a high standard, SAMA issued circular no. 172, dated 20 December 2018, directing all insurance companies to execute a four phased approach, comprising:

- Phase 1: Gap Analysis [completed within the deadline: 31 March 2019]
- Phase 2: Financial Impact Assessment [completed within the deadline: 31 March 2020]
- Phase 3: Design of Implementation Plan [completed within the deadline: 15 April 2021]
- Phase 4: Implementation & Dry-runs [all submitted within the deadlines assigned below]

  - o 1st Dry-run: simulating data to 31 December 2020 – successfully submitted on 30 November 2021
  - o 2nd Dry-run: simulating data to 31 December 2021 – successfully submitted on 31 May 2022
  - o 3rd Dry-run: simulating data to 30 June 2022 – successfully submitted on 15 November 2022

In addition, the Company successfully submitted to SAMA a monthly progress report on the implementation of the project throughout the last phase – implementation and Dry-runs –.

b) Governance structure

The IFRS 17 Project Governance and Control Structure for the Company has been developed to ensure the correct and timely implementation of new standard, and better project management and governance practices until IFRS 17 becomes Business as Usual (BAU). It comprises the following components:

- ***Project Governance*** includes Committees governed by the Board Audit Committee, which ultimately reports to the Board of Directors.
- ***Project Planning*** to achieve the overall objective of the project.
- ***Project Management*** , which includes defining a project management office and maintaining the process used to monitor and control project scope, schedule, status reporting, matrices used to identify potential issues and perform preventative and corrective actions.
- ***Project Closure*** , which includes validation of all activities as per the project plan are completed; all risks, issues, and action items are closed; artefacts are archived; final metrics are collected and analyzed; and a formal lesson learned session is completed.

The Project Governance Structure of the Company comprises the following committees:

- ***Board Audit Committee*** , which meets quarterly or as needed, and has the following main roles and responsibilities:
  - o Agree and document the terms of engagement with the external auditors.
  - o Engage with external auditors for feedback on the proposed design to substantiate decisions taken during the design phase.
  - o Review and approve the critical design decisions and provide an update to the Board.
  - o Review and approve decisions related to the implementation plan design to meet the requirement of IFRS17 considering the Company's current and immediate future business plan.
  - o Approve and sign off on the design of the implementation plan.
  - o Provide updates to the Board of Directors on the progress of the project.

- ***Project Steering Committee*** , which is chaired by the Chief Financial Officer and has members from the various engaged departments, along with the Appointed Consultants, Appointed Actuary, and External Auditors – if needed –. It meets monthly or as required, and has the following main roles and responsibilities:
  - o Overall governance and management of the project.
  - o Exercise judgement on resolving escalations, take decisions and ratify the decisions when referred to by other authorities/committees for timely corrective actions within the agreed timelines.
  - o Review critical design decisions related to the implementation plan.
  - o Recommend key design deliverables presented by the Project Management Team to Audit Committee.
  - o Escalate to the Audit Committee any issue faced during the implementation.
  - o Review and recommend the design of the implementation plan to Audit Committee for approval.
  - o Review and recommend the decisions related to the design of the implementation plan to meet the requirement of IFRS17

c) Key areas remaining to be completed

To ensure the effective transition to IFRS 17, the Company has divided its implementations into distinct sub-divisions, which include both an IFRS 17 functional implementation and IFRS 17 solution integration.

While the Company has completed the functional implementation of the operational IFRS 17 solution, its integration with the core system and related UAT is yet to be completed. The Company plans to complete the integration throughout 2023.

2. Significant Judgements and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e., 1 January 2023:

a) Contracts within/outside the scope of IFRS 17

- A contract is an **insurance contract** that falls under the scope of IFRS17 if it transfers significant insurance risk or is an investment contract with Discretionary Participation Features ("DPF"). IFRS 17 identifies insurance contracts as those under which the entity accepts significant insurance from another party (the policyholder), by agreeing to compensate the policyholder if a specified uncertain future event (the insured event), adversely affects the policyholder.
- A **reinsurance contract** held is defined as an insurance contract issued by one entity (the reinsurer), to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts). Even if a reinsurance contract does not expose the issuer to the possibility of a significant loss, that contract is deemed to transfer considerable insurance risk if it transfers to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts.

b) Combination/Unbundling of Contracts

At inception, the Company identifies derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and Company does not underwrite any insurance contracts that contain embedded derivatives or distinct investment components.

Distinct investment components - i.e., investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

The Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e., not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other readily available resources. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance component. The Company provides a significant service of integrating the good or service with the insurance component.

Currently, the Company's Insurance portfolios do not contain non-insurance components that 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.

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

For reinsurance contracts, the risks that must be similar relate to those transferred from the underlying contract to the issuer of the reinsurance contract. When deciding whether these risks are identical, reference must be made to the risk profile of underlying contracts and the nature of the transferred risks.

If the risks covered are not similar enough between different treaties, they will not be classified into the same portfolio. A portfolio can consist of a single reinsurance treaty if no other reinsurance treaties are deemed to have similar risks and are managed together.

Below are the GoCs according to Company's portfolios:

Portfolio	Insurance	Reinsurance
Property	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Engineering	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Accident & Liability	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Marine	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Motor	Two GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Medical	Three GoC / Quarterly	n/a
Life – Group & Credit	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly
Life – Individual	Single GoC / Quarterly	Proportional & Non-Proportional / Quarterly

d) Measurement – Overview

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

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

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

b. Contractual Service Margin (CSM)

The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity that provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfillment cash flows will be recorded immediately in profit or loss. At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of:
- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
- and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is subsequently adjusted for changes in cash flows related to future services, but the CSM cannot be negative, so future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is also accreted on the CSM at rates locked in at the initial recognition of a contract (i.e., the discount rate used at inception to determine the present value of the estimated cash flows).

Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

c. The Variable Fee Approach (VFA):

VFA is a mandatory model for measuring contracts with direct participation features (also referred to as 'direct participating contracts'). This assessment of whether the contract meets these criteria is made at the contract's inception rather than reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under the general model:
- changes in the entity's share of the fair value of underlying items;
- changes in the effect of the time value of money and financial risks not relating to the underlying items.

d. Premium Allocation Approach (PAA)

It is permitted to measure the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition, less insurance acquisition cash flows.

The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

e) Significant Judgements and Estimates

i. PAA eligibility assessment approach

The Company may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:
- the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the general requirement or
- the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date) is one year or less.

The Company has carried out the eligibility assessment for Premium Allocation Approach on business written in 2018 and concluded that all insurance and reinsurance portfolios are PAA Eligible except for Individual Life. The PAA Eligibility test will be repeated going forward in the event of significant external or internal changes impacting the Company's product mix, product strategy or invalidating the assumptions used in the PAA eligibility test. The data required for the PAA Eligibility test are:
- Gross Written Premium: this will be sourced from the accounting system
- Loss Ratio and Expense Ratio: this will be derived using information from the accounting system and actuarial models
- Premium earning pattern: this will be determined based on policy-wise data
- Premium received pattern: this will be determined based on policy-wise data
- Risk adjustment factor: this will be derived in the RA tool outside the PAA Eligibility tool and inputted into the PAA eligibility tool
- Claims payment pattern: this will be determined using the claims triangles
- Acquisition costs or commissions as a percentage of GWP: this will be determined based on policy-wise data
- Acquisition costs or commissions earning pattern: this will be sourced from the accounting system
- Risk pattern: this will be derived in an excel file outside the actuarial system
- Yield curve for discounting: the risk-free rates, as well as the volatility adjustment (illiquidity premium) will be extracted from EIOPA's website

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Insurance acquisition cash flows are recognised as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is a year at maximum. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous. In that case, the Company recognises a loss in profit or loss. It increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow related to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the impact of financial risk.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. It includes gross estimated cost of claims incurred but not settled and claims incurred but not reported at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred. 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 estimates of claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

ii. Discounting methodology

Discount rates refer to the interest rates used in discounting cash flows to determine the present value of future cash flows. Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin.

After estimating the future cash flows arising from the insurance contracts, discounting shall be used to calculate the present value of these cash flows, in order to reflect the time value of money and the financial risks associated with these cash flows. This is done to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates applied to the estimates of the future cash flows in discounting shall:

- Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
- Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts."

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.

Risk Adjustment methodology, including correlations, and Confidence level selected

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risk adjustment for non-financial risk relates to risk arising from insurance contracts other than financial risk. Financial risk is included in the estimates of the future cash flows or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.

IFRS 17 ""Insurance contracts"" prescribes that “an entity shall determine the risk adjustment for non-Financial risk so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts”. Consequently, risk mitigation effects due to reinsurance should not be taken into consideration in measuring the risk adjustment while also a separate assessment with reference to reinsurance held contracts should be performed.

The Company adopted the PAA simplification for the calculation of liability for remaining coverage except for liability for remaining coverage under Individual Life portfolio. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognized as an onerous and for liability for remaining coverage for contracts under Individual Life portfolio.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Applying a cost of capital technique, the Company estimates the probability distribution of the present value of future cash flows from insurance contracts at each reporting date and calculates the economic capital that it would require to meet its contractual obligations to pay claims arising over the duration of the contracts. The cost-of-capital rate, which represents the additional reward that investors would require for exposure to the non-financial risk, is then applied to the amount of economic capital required for each period, and the result is discounted using risk-free rates adjusted for illiquidity to determine the risk adjustment for non-financial risk for each group of insurance contracts.

iii. CSM release pattern

The Company will adopt the Premium Allocation Approach to measure LRC for all the portfolios except for Individual Life. Under PAA, the derivation of CSM and its release during the period is not required. However, for Individual Life, The Company has established the relevant procedures for the derivation and release of CSM. The actuarial system developed also can measure LRC under GMM as well.

IFRS 17 determines the coverage units as the quantity of service provided by the contracts in the group, determined by considering the quantity of benefits provided and its expected coverage period for each contract.

The coverage units reflect the Company's risk pattern and are established by apportioning each contract's global annual limit into the various periods, according to the days of exposure. This apportioning of the global annual limit will be done linearly for all the groups except the Engineering insurance portfolio and Engineering proportional reinsurance portfolio. For the Engineering insurance portfolio and Engineering proportional reinsurance portfolio, the pattern will be derived based on the current Saudi Central Bank method, which assumes that the risk will increase linearly over the coverage period.

iv. 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 assess 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 significant changes in product pricing, design, plans, and forecasts.

If a group of contracts is deemed onerous, using the general model's fulfillment cash flow requirements will require additional data and system capabilities to those for profitable contracts. All relevant expenses (not just acquisition costs) will need to be allocated.

The Company has established a process for the underwriting team to capture onerous, potentially onerous, and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be evaluated separately.

The actuarial team will provide a series of estimates for the historical combined ratio, which will be adjusted to reflect the expected combined ratio and enable the differentiation between onerous and profitable groups of contracts.

Once the portfolios are classified into groups according to their profitability, a flag shall be imported into the system. Insurance groups of contracts shall be treated differently within the system if classified as onerous. Once a group has been defined, the Company will not reassess the composition of the groups subsequently.

v. Provision for Doubtful Debts

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

vi. Reinsurer Default Provision

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

vii. VAT treatment

The Company includes transaction-based taxes, such as value-added taxes that arise directly from existing insurance contracts or that can be attributed to them reasonably and consistently as part of the cash flows within the boundary and form part of LRC. However, it is paid directly and excluded from insurance service results.

f) Accounting Policy Choices

i. Length of Cohorts

Under the guidance of the IFRS 17, entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual/semi-annual/quarterly/monthly cohorts of new business, since it determines a corresponding time limit.

This enables the option to further divide the groups into smaller groups based on smaller cohorts. However, having smaller cohorts would result in multiple groups and increase measurement requirements.

The financial reporting period for insurance companies is defined as a quarter in KSA. Hence, the Company has decided the length of cohort to be on an annual basis.

ii. Use of OCI for IFIE

In reference to the presentation in statement of income – Insurance finance income or expense, the 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, the Company has decided that the entire risk adjustment will be presented in the insurance service results.

iv. Expense Attribution

The process of classification and allocation of expenses is in accordance with the guidelines issued by the Central Bank of Saudi Arabia.

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 does not make any allowance for surplus distribution when determining onerosity.

The surplus distribution is not part of the main product features but regulatory imposed. The Company treats surplus distribution outside of the fulfilment cash flows without any allowance in the CSM under the GMM method if applicable. Currently, the amount is determined on a retrospective basis only, allocated to group of contracts based on the Company's defined allocation policy and presented as part of LIC.

For transition, the Company policy is to allocate surplus on transition to policyholders holding this as an additional reserve on the statement of financial position. However, in case of loss on transition, the loss will not be allocated to policyholders.

g) Presentation and Disclosure

i. Presentation

IFRS 17 introduces a new way of presenting income and expenses relating to insurance contracts that moves away from a premium-based presentation approach for the Statement of Comprehensive Income. It also introduces changes in the way insurance contract-related account balances are presented in the Statement of Financial Position.

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognized in the financial statements that arise from insurance contracts in the form of various roll-forward tables and reconciliation tables. Quantitative and qualitative information are also required to be disclosed relating to the significant judgements made when applying IFRS 17 and on the nature and extent of the risks that arise from insurance contracts.

The Company's Policy Guidelines, related to Financial Statement and Disclosures Preparation Process are as follows:

I. Statement of Comprehensive Income

The Company is required to disaggregate the amounts recognized in the Statement of Comprehensive Income into insurance revenue, insurance service expenses and insurance finance income or expense. A mandatory subtotal called insurance service result includes insurance revenue and insurance service expenses to also include results from reinsurance contracts for which there is an option in the standard to present reinsurance cessions and recoveries separately or present them net as a single line item. The Company has opted to present reinsurance cessions and recoveries separately.

Furthermore, the insurance finance income and expenses relate to insurance contracts issued and reinsurance contracts held shall also be presented separately.

• ***Insurance Revenue***

For PAA, the insurance revenue for the period is the amount of expected premium receipts allocated to the period, excluding any investment component and adjusted for time value of money and the effect of financial risk. The allocation of insurance revenue for the period under PAA will be performed based on the passage of time.

• ***Insurance Service Expenses***

The Company insurance service expenses will comprise the following items:

(a) Incurred claims and other incurred insurance service expenses;
(b) Amortization of insurance acquisition cash flows;
(c) Changes that relate to past service i.e., changes in fulfilment cash flows relating to the liability for incurred claims (LIC); and
(d) Changes that relate to future service, i.e., losses on onerous groups of contracts and reversals of such losses.

Changes that relate to past service refers to changes in fulfilment cash flows relating to the LIC. Any development to the incurred claims, including changes in expected cash flows as well as RA, will be reported in the insurance service expenses.

• ***Insurance Finance Income and Expenses (IFIE)***

Under IFRS 17, an entity shall measure the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred under PAA.

For the presentation purposes, the Company has opted to include all insurance finance income of expenses for the period in the profit or loss.

Furthermore, the Company is required to present the IFIE related to insurance contracts issued and reinsurance contracts held on the face of Statement of Comprehensive Income.

II. Statement of Financial Position

The Company will present the following line items separately in the statement of financial position as required by IFRS 17:

- Insurance contracts that are assets;
- Insurance contracts that are liabilities;
- Reinsurance contracts held that are assets; and
- Reinsurance contracts held that are liabilities separately

The carrying amount of an insurance contract asset/liability is the sum of the LRC and the LIC, comprising the fulfilment cash flows related to past service allocated to the portfolio of contracts at that date. Portfolios of reinsurance contracts held that are either assets or liabilities, comprise liability for remaining coverage and LIC that correspond to the ceded business.

ii. Disclosures

IFRS 17 required 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. Following is the list of IFRS 17 disclosures that the Company will be presenting in the financial statements:

1. Reconciliation for changes in Liability for Remaining Coverage (LRC), Liability for Incurred Claims (LIC), and Loss Components

The Company shall disclose reconciliations from the opening to the closing balances separately for each of:

- The net liabilities (or assets) for the remaining coverage component, excluding any loss component.
- Any loss component
- The liabilities for incurred claims. For insurance contracts to which the premium allocation approach has been applied, an entity shall disclose separate reconciliations for:
    - o The estimates of the present value of the future cash flows; and
    - o The risk adjustment for non-financial risk

2. Reconciliation of the measurement components of Insurance/ Reinsurance Held contract balances (for GMM/VFA only)

The Company shall disclose reconciliations from the opening to the closing balances separately for each of:

- Present value of future cashflows
- Risk adjustment for non-financial risk
- Contractual Service Margin (CSM)

3. Analysis of Insurance Revenue

The Company shall be presenting a disclosure for the reconciliation of insurance service revenues for the contracts measured under PAA and not measured under PAA if any.

4. Effect of new business on the financial statement for Insurance Contracts and for Reinsurance Held

For insurance contracts other than those to which the premium allocation approach has been applied, an entity shall disclose the effect on the statement of financial position separately for insurance contracts issued and reinsurance contracts held that are initially recognized in the period, showing their effect at initial recognition on:

- The estimates of the present value of future cash outflows, showing separately the amount of the insurance acquisition cash flows;
- The estimates of the present value of future cash inflows;
- The risk adjustment for non-financial risk; and
- The contractual service margins

5. Risk Framework

An entity shall disclose information about concentrations of risk arising from contracts within the scope of IFRS 17, including a description of how the entity determines the concentrations, and a description of the shared characteristic that identifies each concentration. Currently the Company has a detailed framework for identification of different nature of risks. Furthermore, the Company also discloses different insurance and financial risks that arise from insurance contracts and how they are managed. Following are risks that the Company has identified in terms of risk management:

- Insurance risk
    - Frequency and Severity of Claims
    - Concentration of insurance risk
    - Sources of uncertainty in estimation of future claim payments
    - Process used to decide on assumptions
- Sensitivity Analysis
- Reinsurance risk
- Market risk
    - Currency Risk
    - Commission Rate Risk
    - Other Price risk
- Credit risk
- Liquidity risk
- Operational risk

6. Sensitivity analysis

The Company shall disclose a sensitivity analysis to demonstrate the impact of changes in risk variables arising from contracts within the scope of IFRS 17, on P&L and Equity. To comply with this requirement, an entity shall disclose:

- A sensitivity analysis that shows how profit or loss and equity would have been affected by changes in risk variables that were reasonably possible at the end of the reporting period:
    - Insurance risk showing the effect for insurance contracts issued, before and after risk mitigation by reinsurance contracts held.
    - Each type of market risk in a way that explains the relationship between the sensitivities to changes in risk exposures arising from insurance contracts and those arising from financial assets held by the Company.
- The methods and assumptions used in preparing the sensitivity analysis; and
- Changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis, and the reasons for such changes.

The Company's detailed risk framework also includes the sensitivity analysis and discloses the sensitivity analysis of insurance risk and market risk in its financial statements.

h) Transition

i. Choice of Method (FRA, MRA, FV)

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.

The current length of comparatives utilized is for the duration of 3 years only.

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3. Transition Impact

The Company estimates that, on adoption of IFRS 17, the impact of these changes (before tax) is a reduction in the Company's total equity of 5,332 at 1 January 2022. The impact on equity on 1 January 2023 is currently being estimated and shall be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

Drivers of Changes in Equity	**Impact on transition to IFRS 17 on Jan 1, 2022**
Risk Adjustment – net of RI share	(3,924)
Loss Component – net of RI share	(8,559)
Differences in calculating the Insurance Revenue – net of RI share	(4,005)
Discontinued Other Technical Reserves [from IFRS 4 – no longer required]	11,250
Other drivers	(94)
Total Impact	**(5,332)**

Impact on liabilities and assets

Liabilities	**Impact on transition to IFRS 17 on Jan 1, 2022**
Accrued and Other Liabilities	(7,905)
Insurance and Reinsurance Balances Payable	(11,092)
Unearned Premium Reserve	1,918
Other Technical Reserves	(11,250)
Risk Adjustment	8,132
Loss Components	10,472
Total Impact on Liabilities	**(9,725)**

Assets	**Impact on transition to IFRS 17 on Jan 1, 2022**
Prepaid Expenses and Other Assets	(19,091)
RI Share of Unearned Premium Reserve	(2,087)
RI Share of Risk Adjustment	4,208
RI Share of Loss Component	1,913
Total Impact on Assets	**(15,057)**

Sources of Uncertainties

The policy admin system, accounting system and IFRS 17 solution are not integrated and capturing and processing the information independently based on manual input as per the defined templates. The plan for integration and seamless flow of input and output data is already in consideration and will be rolled out after transitioning to IFRS 17.

Range of change in shareholders' equity includes the impact of risk adjustment, loss component, discounting, and conversion of numbers as per IFRS 4 to estimated cashflows as per IFRS 17. The assessment made by the Company is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment. The actual effect of the implementation of IFRS 17 on the Company could vary from this estimated range if a different set of assumptions and policy choices are made. The Company continues to refine assumptions, methodologies and controls in advance of IFRS 17 adoption on 1 January 2023. Although dry runs were carried out in 2022, the new systems and associated controls in place have not been operational for an extended time. As a result, the Company has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework. All estimates are based on the Company's current interpretation of the requirements of IFRS 17, reflecting industry guidance and discussions to date.

B. 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. 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.

1. Financial assets – Classification

The Company assessed a preliminary IFRS 9 Classification and Measurement assessment ("C&M") for the financial assets held as at 31 December 2021.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVSI"). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. Except for financial assets that are designated at initial recognition as at FVSI, a financial asset is classified on the basis of both:

a. the entity's business model for managing the financial asset; and
b. the contractual cash flow characteristics of the financial asset.

The classification and measurement review consist of two parts:

- A **business model assessment** is the initial point for classification and measurement of financial assets as per the IFRS 9 Guidance. The Company assesses the objective of a business model in which an asset is held at a portfolio level. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.; and
- A **contractual cash flows** characteristics assessment based on a thorough desk-based review of a sample of specifically selected contracts to provide a provisional conclusion on whether or not the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the "SPPI assessment"). The SPPI assessment was conducted on the following financial assets:
    - o Policy-holder receivables
    - o Re-insurance receivables
    - o Investments

2. Financial assets – Impairment

IFRS 9 does not prescribe specific approaches used to estimate ECL but emphasizes that the approach adopted must reflect probability weighted outcome, time value of money and forward-looking information. Considering the nature and composition of the Company's portfolios, the Company has used "General approach" for Premium Receivables, Reinsurance Receivables and Investment Portfolio.

IFRS 9 impairment applies to financial instruments that are not measured at Fair Value through Statement of Income (FVSI). Equity instruments measured at Fair Value through Other Comprehensive Income (FVOCI) are also excluded from the purview of impairment.

A. Premium Receivables

In order to define event of default, it is assumed that defaults take place at greater than 365 days ageing. Vasicek single factor model has been developed for macroeconomic overlay. IMF April 2022 forecast for KSA region is applied for estimating macroeconomic overlay. For applying the macroeconomic overlay, the Company has used GDP changes as a macroeconomic variable. For asset correlation computation, the Company has used the formula prescribed under Basel norms ("Basel formula'); and for probability weighted PD, the Company has used the base and best/worst case scenarios along with respective weightages. Overall, the ECL provisions for premium receivables is estimated at 5,314,630 as at 1 January 2022.

B. Reinsurance Receivables

The Company has deployed the rating methodology for reinsurance receivables. In arriving Probability of Default (PD) values, the Company has used S&P Global Rating Transition Matrix for Emerging Market for Corporates. Modifiers in same rating grade were given same PDs, i.e. AA+, AA- are assigned an equivalent PD as 'AA' and A+, A- are assigned an equivalent PD of 'A'. Additionally, the Company has imputed 'BB' rating as a surrogate for unrated counterparties. LGD is assumed as 100% underlying the Company's conservative approach towards risk management. For Sovereign bonds, the Company has applied a PD based on its external rating. Vasicek single factor model has been developed for macroeconomic overlay. For applying Macroeconomic overlay, the Company has used GDP change as a macroeconomic variable. For asset correlation computation, the Company has used the Basel formula. For probability weighted PD, the Company has used base and best/worst case scenarios along with respective weightages. Overall, the ECL provisions for reinsurance receivables is estimated at 10,800 as at 1 January 2022.

C. Investment Portfolio including Cash and Cash Equivalents

From investment portfolio, the Company have excluded Equities and Mutual funds for ECL computation. In case of unrated instruments, rating grade of issuer with one notch down is considered as final rating of the instrument. In case of cash the same was considered stage 1. For arriving at Probability of Default (PD) Values, the Company have used S&P Global Rating Transition Matrix for Emerging Market for Corporates. Vasicek single factor model is applied for macroeconomic overlay based on IMF's April 2022 forecast for KSA region. Overall, the total provision for investment portfolio is estimated at 722,393.

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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:

- o 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 Other Comprehensive Income;
- o The remaining amount of the change in the fair value will be presented in the statement of income.

4. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- o Comparative periods have not been restated. A difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings as at 30 June 2022.
- o The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - i. The determination of the business model within which a financial asset is held.
  - ii. The designation and revocation of previous designated financial assets and liabilities as measured at FVSI. This category includes financial assets that were previously designated as held for trading or those that were classified as available for sale.
  - iii. The designation of certain investments in equity instruments not held for trading as FVOCI. In general, cash and cash equivalents, short term deposits and debt securities held until maturity have been designated as such.

Estimated Change in the Company's Total Equity due to initial application of IFRS 9

ASI 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 10,953 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 2023:

Adjustments due to adoption of IFRS 9	**1 January 2022**
Premium Receivable – net	6,175
Reinsurance Receivable – net	2,739
Investments	2,039
Total Impact	**10,953**

Overall Impact on Equity due to Transition to IFRS17 and IFRS9

The Company estimates that, on adoption of IFRS 17 and IFRS9, the impact of these changes (before tax) is an increase in the total equity of 5,621 as at 1 January 2022. 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 2023.

Transition To	**Change in Equity @ 1 January 2022**
IFRS17	(5,332)
IFRS9	10,953
Total Impact	**5,621**

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The accounting policies, estimates and assumptions used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021 and no new or amended accounting policies or accounting standards were adopted by the Company during 2022 to date.

Financial statements are prepared under the going concern convention using the accrual basis of accounting. The historical cost convention is followed except for the measurement at fair value of available for sale investments - see Note 4(r).

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

Presentation is in Saudi Riyals, the functional currency of the Company. All amounts are derived from Arabic and English computerised accounting records and except where otherwise indicated are rounded to thousands using the standard rounding convention.

The statement of financial position is presented in order of liquidity but is not presented using a current / non-current classification. The table below identifies current and non-current assets and liabilities.

Assets:

Current

- Cash and cash equivalents
- Short term fixed income deposits
- Premiums and reinsurers' receivable – net
- Reinsurers' share of unearned gross premiums
- Reinsurers' share of outstanding gross claims
- Reinsurers' share of gross claims incurred but not reported
- Deferred excess of loss expenses
- Deferred policy acquisition costs
- Deferred withholding tax
- Deferred regulators' levies
- Unit-linked investments
- Investments
- Due from related parties – net
- Prepaid expenses and other assets

Non-current

- Property and equipment – net
- Intangible assets – net
- Goodwill
- Statutory deposit
- Accrued income on statutory deposit

Liabilities:

Current

- Accrued and other liabilities
- Reinsurers' balances payable
- Unearned gross premiums
- Unearned reinsurance commission
- Outstanding gross claims
- Gross claims incurred but not reported
- Premium deficiency reserve
- Unit reserves
- Other technical reserves
- Due to related parties
- Accounts payable
- Withholding tax provision
- Regulators' levies provision
- Policyholders' surplus distribution payable
- Zakat
- Income tax

Non-current

- End-of-service indemnities
- Accrued commission income payable to SAMA

As required by the Implementing Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and approved by the Board of Directors.

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

The statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 40 of the financial statements have been provided as supplementary financial information to comply with the Implementing Regulations which require the clear segregation of the assets, liabilities, income and expenses of insurance operations and shareholders' operations.

Accordingly, the statement of financial position and statements of income, comprehensive income and cash flows of insurance operations and shareholders' operations presented in Note 40 of the financial statements reflect the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

The inclusion of separate information of insurance operations and shareholders' operations in the statement of financial position and statements of income, comprehensive income and cash flows as well as certain relevant notes to the financial statements represent supplementary information required by the Implementing Regulations but not required by IFRS.

b) Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amount of assets and liabilities, contingent assets and liabilities, resultant provisions, changes in fair value and the reported amounts of income and expense.

These judgements and estimates are based on the Company's best knowledge of current events and actions and are continually evaluated and updated, however future events could result in outcomes requiring material adjustments to the reported amounts.

In preparing the financial statements significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied for the year ended 31 December 2021. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

The following judgments and estimates have the most significant effect on the amounts recognised.

Impairment losses on receivables

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

Insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of Claims Incurred But not yet Reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies IBNR claims form a significant part of the liability. The primary technique adopted by the Company in estimating the cost of reported and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends.

Historical claims development is analyzed by underwriting year, accident year and further analyzed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected to reflect their future expected 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or other 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 conditions 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 into account all the uncertainties involved.

In addition a range of technical methods are used by the Company's actuaries to independently assess and critically review the estimates made by the Company.

Prior claims estimates are continually reviewed and adjusted as claims develop.

Insurance contract liabilities are not discounted for the time value of money as substantially all claims are expected to be paid within one year of the reporting date. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Impairment of financial instruments

Financial instruments are considered impaired when it is determined there has been a significant or prolonged decline in fair value relative to cost. This determination requires judgement. In making this judgement factors are considered such as normal share price volatility, financial status of the investee including cash flow and sector and technology status and development.

c) Seasonality of operations

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

d) Currencies

Exchange rates prevailing at the date of transactions are used to translate transactions denominated in foreign currencies to Saudi Riyals.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Resulting gains or losses, both realised and unrealised, are recognised as income or expense.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of the initial transaction and are not subsequently restated.

e) Trade date accounting

All purchases and sales of financial instruments are accounted for at trade date being the date the Company commits to purchase or sell.

f) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provided amount to be recovered, the recovery is recognised only when it is believed to be certain.

g) Fair value of financial instruments

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined is calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

h) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial instrument or a group of financial instruments is impaired.

An impairment exists if one or more events that has occurred since the initial recognition of the instrument has an impact on the estimated future cash flows of the instrument or the group of instruments that can be reliably estimated.

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

If there is objective evidence that an impairment loss on a financial instrument exists, the impairment is determined as follows:
- For instruments carried at fair value impairment arises to the extent significant or prolonged decline in fair value has occurred.
- For instruments carried at amortized cost impairment arises to the extent discounted estimated future cash flows are significantly less than amortized cost.

For debt instruments classified as available for sale the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognised the impairment loss is reversed.

The determination of what is significant or prolonged requires judgement. In making this judgement a period of 12 months or longer is considered to be prolonged and decline of 30% from original cost is considered to be significant.

The Company considers factors such as market’s assessment of creditworthiness as reflected in bond yields, rating agencies’ assessment, country’s ability to access capital markets and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income and statement of comprehensive income.

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

i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Assets that are subject to depreciation are reviewed for impairment annually or earlier if events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-generating units and cash flows.

j) 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 and the Company has also transferred substantially all risks and rewards of ownership.

k) Recognition of premium and commission income

Gross Premiums and Gross Commission Income are recognised as revenue when the insurance policy is issued.

Ceded Premiums are deducted from Gross Premiums to arrive at Net Premiums.

Gross and Ceded Premiums and Gross Commission Income which relate to cover periods beyond the end of a financial period are calculated by the Company and reported as Unearned using the following methods:

Marine cargo risks:
Last three months actual period of cover preceding the reporting date.

Engineering construction risks with period of cover greater than one year:
Linearly increasing sums at risk applied to actual period of cover.

All other risks:
Pro-rata to actual period of cover.

l) Deferred Costs

Certain costs are deferred on initial recognition and subsequently expensed in direct proportion to income recognition of the underlying premiums to which they relate.

The costs subject to this policy are:

- Policy acquisition costs payable to insurance companies, brokers, agents and employees arising from the writing or renewing of insurance contracts.
- Withholding taxes levied on foreign payments.
- Regulators' levies.
- Excess of loss expenses.
- Third party administrator expenses arising from processing of medical claims

Impairment reviews are conducted regularly and any impairment loss is reflected in the statement of income.

m) Insurance and reinsurance contracts

Insurance contracts are those contracts where the insurer has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly in this period.

Reinsurance contracts, by which the Company cedes insurance risks to reinsurers, are entered into by the Company in the normal course of business.

Under such contracts the Company agrees to cede part of the underlying premium to the reinsurer and the reinsurer agrees to pay commission on the ceded premium to the Company and to compensate the Company for losses arising on the underlying insurance contract.

Amounts recoverable from or due to reinsurers are recognised in the statement of financial position and the statement of income consistently with the treatment of amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Reinsurance assets and liabilities are derecognised when the contractual rights expire or when the contract is transferred to another party.

Reinsurance contracts do not relieve the Company from its obligations to policyholders.

n) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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

o) Events after the reporting date

Adjustments are made to reflect the impact of events occurring between the reporting and publishing dates provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed but no adjustment is made for their impact.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank current accounts and deposits (including short term highly liquid investments) with original maturities of three months or less.

q) Fixed income deposits

Short term fixed income deposits are deposits maturing after 3 and before 12 months from the deposit placement date.

Long term fixed income deposits are deposits maturing more than 12 months from the deposit placement date.

r) Investments

The Company does not invest in derivatives.

At initial recognition the Company classifies it's non derivative investments into three categories depending on the purpose for which the investments were acquired or originated - held to maturity, fair value through income statement and available for sale.

Distributions of income for all three classifications are recognised when the right to receive the income is established. The income is reported in the statements of income.

Investments are derecognised when the right to receive cash flows and/or substantially all risks and rewards of ownership have expired or been transferred.

Held to maturity
Investments classified as held to maturity are those with fixed or determinable income and fixed maturities which the Company has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at amortised cost using the effective interest rate method.

Valuation impairments are reported in the statements of income.

Valuation gains are reported in the statements of income only to the extent of cumulative impairments previously recognised.

Realised gains and losses arising on derecognition are reported in the statements of income.

Fair value through income statement
Investments classified as fair value through income statement are those acquired with the intention of trading in the near term.

These investments are initially recognised at fair value with any related transaction costs directly attributable to the acquisition charged to the statements of income on acquisition.

At each reporting date they are remeasured at fair value with the resulting unrealised gains or losses and any impairment charges reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Available for sale
Investments classified as available for sale are those which are not classified as held to maturity or as fair value through income statement and are acquired with the primary intention of holding for an indefinite period of time but which may require to be traded sooner in response to a need for liquidity or as a result of market changes.

These investments are initially recognised at cost including any related transaction costs directly attributable to the acquisition.

At each reporting date they are remeasured at fair value unless they do not have a quoted market price or there is no other appropriate method from which to derive reliable fair value in which case they remain stated at cost less any impairment.

Unrealised gains and losses arising from a remeasurement at fair value are reported in other comprehensive income and cumulatively held in a separate equity reserve unless the investment is impaired.

On derecognition of unimpaired investments the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income. Realised gains and losses arising on derecognition are reported in the statements of income.

On impairment of investments the impairment charges are reported in the statements of income and the cumulative unrealised gains or losses previously reported in other comprehensive income and held in the separate equity reserve are transferred to and reported in the statements of income.

Realised gains and losses arising on derecognition are reported in the statements of income.

Reclassification of available for sale investments
The Company evaluates whether the ability and intention to sell available for sale investments in the near future is still appropriate. If due to inactive markets the Company is unable to trade such investments it may elect to reclassify if it has the ability and intention to hold the investments for the foreseeable future or until maturity.

Reclassification to loans and receivables is permitted when the investments meet the definition of loans and receivables and the Company has the intention and ability to hold the investments for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Company has the ability and intention to hold the investment until maturity.

For an investment reclassified out of available for sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that investment that has been recognised in equity is amortised to the statement of income over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the investment using the effective interest rate method.

If the investment is subsequently determined to be impaired the amount recorded in equity is reclassified to the statement of income.

s) Premiums and reinsurers' receivables

Premiums receivables are stated at gross written premiums receivable from insurance contracts less an allowance for any uncollectible amounts. Premiums and reinsurer receivables are initially recognised at inception of the related insurance contract measured at the fair value of the consideration receivable. The carrying value of receivables is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable the impairment loss is recognised in the statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance which is normally the case when the receivable balance is sold or all cash flows attributable to the balance are passed through an independent third party. Receivables disclosed in Note 10 fall under the scope of IFRS 4 - Insurance Contracts.

The Implementing Regulations define the basis for the provision for doubtful receivables based on ageing of receivables from date of inception of insurance contracts regardless of any credit terms granted to the insured or reinsurer.

t) Property, equipment and intangible assets

Property, equipment and intangible assets are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major refurbishment costs are capitalised when incurred if it is probable that future economic benefits resulting from incurring the cost will arise and the cost can be measured reliably. All other repair and maintenance costs are charged to the statement of income as they are incurred.

Depreciation is provided on a straight line basis over the useful lives of the assets at the following rates:

Fixed assets	**Useful life in years**
Leasehold fixtures	6
Office furniture	5
Office equipment	4
Motor vehicles	5
IT equipment	3 - 4

Intangible Assets	**Useful life in years**
Software	5
Customer relationship - Group life	13
Customer relationship - Individual life	12

The assets' residual values and remaining useful lives are continually reviewed and adjusted if appropriate.

Impairment losses are recognised as an expense.

An item of property, equipment or an intangible asset is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised as income or expense.

Capital work-in-progress includes tangible and intangible assets being developed for future use and are not depreciated. When the assets are commissioned the work-in-progress amount is transferred to the respective asset categories and thereafter depreciated as set out above with effect from the commissioning date.

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

u) Leases

The Company recognises right-of-use assets representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

There are optional exemptions for short-term leases and leases of low-value items. Short-term leases are leases with a lease term of 12 months or less.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

v) Goodwill

Goodwill is initially recognised at cost and is not amortised but subsequent to initial recognition is tested for impairment annually and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount is less than their carrying amount, an impairment loss is recognised.

Impairment losses are not reversed in subsequent periods.

w) Claims

Claims comprise amounts payable to contract holders, third parties and related loss adjustment expenses, net of salvage and other recoveries.

In addition to amounts already paid, claims include estimated provisions determined from loss reports for claims reported but not settled together with provisions based on the Company's judgement and prior experience for claims incurred but not reported (IBNR).

Any differences crystalizing between the provisions at the reporting date and subsequent settlements or adjustments to those provisions are recognised in the statement of income as income or expense as appropriate.

The Company does not discount its liability for unpaid claims as substantially all reported claims are expected to be paid within one year from occurrence.

While the Company believes that the estimated provisions are adequate, nevertheless, the ultimate liability of the outstanding claims may be in excess of or less than the provided amounts.

Some insurance contracts permit the Company to subsequently sell assets acquired in settling a claim usually damaged or salvaged goods and the Company may also have rights to pursue third parties for payment of some or all claim costs. Estimates of salvage and subrogation recoveries are included in the measurement of outstanding claims.

x) Liability adequacy test

At each reporting date the Company assesses whether there is any overall excess of expected claims over unearned premiums net of deferred acquisition costs. This calculation uses current estimates of future contractual cash flows after taking account of the return expected to arise on assets relating to the relevant insurance technical provisions. If that assessment shows that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the entire deficiency is immediately recognized and a provision created.

y) Provision for end-of-service indemnities

Benefits payable to Company employees at the end of their service are provided for in accordance with the labour laws of Saudi Arabia.

The cost of this benefit for each employee is charged over their period of employment and provisions are continually re-assessed and adjusted on the basis of current salary, related benefits and completed service.

On cessation of employment, the entitlement will be paid based upon the employees' final salary, related benefits and length of service.

Interim payments may be approved at the Company's discretion for employees with service in excess of 10 years.

The Company has calculated end of service liability in accordance with IAS 19.

z) Dividend distribution

Dividend distribution is recognized as a liability in the period in which the dividend is approved by the shareholders.

5. BUSINESS COMBINATION

The Company entered into a Memorandum of Understanding ("MoU") on 11 April 2021 (corresponding to 29 Sha'ban 1442) with Al Ahli Takaful Company ("ATC") to begin a reciprocal due diligence process and to negotiate the final terms and conditions of the potential Merger ("Merger" or "Transaction") between ATC and the Company.

Later on 12 July 2021 (corresponding to 02 Dhul Hijjah 1442), the Company announced its entry into a binding merger agreement with ATC ("Merger Agreement") in an effort to acquire all shares held by the shareholders of ATC through the submission of an offer to exchange shares without any cash considerations, such exchange to be effected by way of increasing the capital of the Company through the issuance of new ordinary shares to all shareholders in ATC. Accordingly, the Company received a no-objection from SAMA and other regulatory authorities on the merger transaction on 29 October 2021 (corresponding to 23 Rabi Al Awwal 1443).

The shareholders in the Extraordinary General Assembly meeting ("EGAM") held on 09 December 2021 (corresponding to 05 Jumada Al Oula 1443) approved the proposed merger of the Company and ATC to be affected by way of a merger pursuant to Article 191, 192, and 193 of the Companies Law issued under Royal Decree No. M3 dated 10 November 2015 (corresponding to 28 Muharram 1437), through the issuance of 1.43114769137705 new shares in the Company for each share in ATC subject to the terms and conditions of the Merger Agreement.

The Company has announced the effectiveness of the merger of ATC into the Company on 12 January 2022 (corresponding to 09 Jumada Al-Thani 1443) after satisfying the Merger conditions agreed between the two companies in the Merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the Merger, including the expiry of the creditors' objection period with no outstanding or unsettled objections. The merger resulted in the increase of the paid-up capital from 400,000 to 638,525.

The merger has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Company being the acquirer and ATC being the acquiree. The Company has accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at 12 January 2022 "acquisition date". Adjustment to the provisional values and their impact on the goodwill and acquired net assets of the Company will be finalised within twelve months of the date of acquisition as allowed by the Standard.

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Purchase consideration

The purchase consideration was determined to be 594,404 which consisted of the issue of 23,852,462 new shares to the shareholders of ATC.

The fair value of the new issued shares of the Company was determined on the basis of the closing market price of the ordinary shares of SAR 24.92 per share on the Tadawul on the last trading date prior to the acquisition date of 12 January 2022. Issue costs which were directly attributable to the issue of the shares were not material. As a result, there was an increase in share capital and share premium of 238,525 and 355,879, respectively.

The management has carried out a comprehensive Purchase Price Allocation undertaking wherein the provisional amounts could be finalised. Following the application of Purchase Price Allocation Methodology, the previously recognised goodwill amounting to 352,398 has been divided between intangibles and goodwill by 34,244 and 318,154 respectively. The said revisions are within the aforementioned measurement period.

Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities assumed as at 12 January 2022.

ASSETS	
Cash and cash equivalents	63,476
Premiums and reinsurers' receivable – net	31,571
Reinsurers' share of unearned gross premiums	1,384
Reinsurers' share of outstanding gross claims	57,801
Reinsurers' share of gross claims incurred but not reported	25,751
Unit-linked investments	676,132
Investments	270,688
Prepaid expenses and other assets	13,417
Property and equipment – net	3,354
Intangible assets – net	830
Statutory deposit	16,667
Accrued income on statutory deposit	2,295
TOTAL ASSETS	**1,163,366**
LIABILITIES	
Accrued and other liabilities	31,813
Reinsurers' balances payable	37,289
Unearned gross premiums	2,085
Outstanding gross claims	83,972
Gross claims incurred but not reported	32,718
Unit reserves	691,337
Other technical reserves	437
Due to related parties	229
Accounts payable	446
Withholding tax provision	2,779
End-of-service indemnities	3,462
Policyholders' surplus distribution payable	22,570
Zakat	9,928
Accrued commission income payable to SAMA	2,295
TOTAL LIABILITIES	**921,360**
ATC's net assets as at acquisition date	**242,006**
Goodwill arising from the acquisition	**318,154**
Intangibles recognised from the acquisition	**34,244**
Purchase consideration	**594,404**

Purchase price allocation

The Company has undertaken a comprehensive purchase price allocation and has identified the following intangible assets and their valuation approach and methodologies are further detailed below:

Goodwill	**318,154**
Intangible Assets acquired in merger	
Customer relationships (Group Life)	**8,348**
Customer relationships (Individual Life)	**25,896**
Total	**352,398**

Valuation approach and methodologies

IAS 38 specifies that if an entity can evidence that it can control economic benefits from non-contractual relationships, those customer relationships are identified as separable and can be recognized as an intangible asset. Alahli Takaful Company's customer base has historically contributed a consistent revenue stream for the Company with various insurance agreements. Hence, the relationship has been regarded to represent a Customer Relationship intangible.

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Customer relationships reflect the value derived from future GWP payments expected from underwriting insurance contracts with the existing customer base. Customers have been categorised into group and individual life customers due to differences in attrition rates, GWP per customer and profit margin of the portfolios. The Management has employed "Multi Period Excess Earnings Method" for valuing the customer relationship and is considered to have a useful life of:

- thirteen (13) years for Group Life
- twelve (12) years for Individual Life.

6. IMPAIRMENT TESTING OF GOODWILL ACQUIRED IN BUSINESS COMBINATION

The goodwill acquired through business combinations as referred to Note 5 will be reviewed annually, and assessed 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 ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

IAS 36 defines an asset's cash generating unit as the smallest group of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs to which goodwill is allocated must: (1) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (2) not be larger than an operating segment (IFRS 8.5).

As such for the purpose of impairment assessment performed, the Company's CGUs are identified as the four (4) operating segments: Motor, Medical, Property & Casualty ('P&C'), and Protection & Saving ('P&S').

Valuation approach and methodologies

The recoverable amount of the cash-generating units has been determined based on a value in use calculation, using cash flow projections covering a three-year (3) period and by applying a terminal growth rate thereafter. The calculation of value in use in the cash-generating units is most sensitive to the following assumptions:

- Future cash flows available from operations;
- Weighted average cost of capital at 13.50%
- Terminal growth rate at 3%

Based on the current impairment assessment, goodwill is not impaired as at 31 December 2022.

This assessment was carried out by an independent evlauator appointed by the Company in their draft report dated 19 March 2023. This includes a forecast of cash flows discounted using the WACC ('Weighted Average Cost of Capital') in the jurisdiction where the Company operates. As per this assessment, the recoverable value of the CGU is 1,454,467. A half-percentage point change in the discount rate or the terminal growth rate keeping other factors constant would impact the recoverable amount of the CGUs as mentioned in the table below:

Change in WACC	**Change in Terminal Growth Rate**		
	2.5%	**3.0%**	**3.5%**
13.00%	**1,405,269**	**1,424,482**	**1,445,523**
13.50%	**1,433,145**	**1,454,467**	**1,477,921**
14.00%	**1,463,544**	**1,487,311**	**1,513,580**

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7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2022	2021
Insurance operations		
Bank balances and cash	41,081	50,146
Deposits maturing within 3 months from the acquisition date	65,000	180,916
Total	**106,081**	**231,062**

Shareholders' operations		
Bank balances and cash	13	326
Deposits maturing within 3 months from the acquisition date	40,000	134,167
Total	**40,013**	**134,493**

Combined balances		
Bank balances and cash	41,094	50,472
Deposits maturing within 3 months from the acquisition date	105,000	315,083
Total	**146,094**	**365,555**

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology. The deposits earn commission at an average rate of 4.00% per annum as at 31 December 2022 (2021: 2.81%).

8. SHORT TERM FIXED INCOME DEPOSIT

Short term fixed income deposits maturing after 3 and before 12 months from the deposit placement date are as follows:

	2022	2021
Insurance operations	227,815	0
Shareholders' operations	115,000	0
Total	**342,815**	**0**

All bank balances and deposits are placed with SAMA regulated local banks with sound credit ratings under Standard and Poor's and Moody's rating methodology. The deposits earn commission at an average rate of 5.60% per annum as at 31 December 2022 (2021: NIL).

9. STATUTORY DEPOSIT

In compliance with the Insurance Implementation Regulation of SAMA, the Company maintains a deposit of 63,852 (31 December 2021: 40,000) in a deposit account at The Saudi British Bank. During the period, the Company has increased its statutory deposit from 40,000 to 63,852 to comply with SAMA regulation due to increase in share capital (please refer to Note 26). This deposit cannot be withdrawn without SAMA's consent and the Company does not earn commission from the deposit.

The accrued income on the deposit as at 31 December 2022 is 6,781 (31 December 2021: 3,134) and has been disclosed as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued commission income payable to SAMA".

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10. PREMIUMS AND REINSURERS' RECEIVABLE – NET

Receivable comprise amounts due from the following:

	2022	2021
Non related parties		
Policyholders	65,727	40,954
Brokers and agents	109,697	85,658
Receivables from reinsurers	16,450	36,486
Premiums and reinsurers' receivable – gross	**191,874**	**163,098**
Provision for doubtful receivables	(9,775)	(13,633)
Premiums and reinsurers' receivable – net	**182,099**	**149,465**
Related parties		
Policyholders	24,697	13,554
Provision for doubtful receivables	(2,725)	(605)
Due from related parties – net	**21,972**	**12,949**
Movement in the combined provision		
Balance at start of year	14,238	8,360
Acquired through business combination	1,128	0
Provided	(2,866)	5,878
Balance at end of year	**12,500**	**14,238**

Ageing of receivables:

2022	Not Due	Due but not impaired			Due and age impaired		Total
		0 - 30	31 - 90	91 - 180	181 - 365	> 365 Days	
Non related parties							
Policyholders	31,993	14,617	8,099	2,696	4,251	4,071	65,727
Brokers and agents	73,342	7,742	16,136	7,811	2,794	1,872	109,697
Receivables from reinsurers	0	0	2,403	5,509	7,293	1,245	16,450
Total	**105,335**	**22,359**	**26,638**	**16,016**	**14,338**	**7,188**	**191,874**
Related parties	**6,273**	**3,741**	**8,892**	**3,465**	**1,384**	**942**	**24,697**

2021	Not Due	Due but not impaired			Due and age impaired		Total
		0 - 30	31 - 90	91 - 180	181 - 365	> 365 Days	
Non related parties							
Policyholders	18,602	7,771	5,731	3,423	1,849	3,578	40,954
Brokers and agents	53,071	16,694	9,521	2,879	2,095	1,398	85,658
Receivables from reinsurers	0	25,117	0	10,141	613	615	36,486
Total	**71,673**	**49,582**	**15,252**	**16,443**	**4,557**	**5,591**	**163,098**
Related parties	**5,731**	**3,766**	**1,875**	**1,323**	**476**	**383**	**13,554**

The Company only enters into insurance and reinsurance contracts with recognised credit worthy parties. All customers wishing to trade on credit terms are subject to credit verification procedures. All receivables are continuously monitored to minimise exposure to bad debts. The five largest receivables at 31 December 2022 account for 43% of the total (31 December 2021: 54%).

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11. UNIT-LINKED INVESTMENTS

Insurance Operations

Unit-linked investments comprise units of funds, denominated in United States Dollars, which are managed by Saudi National Bank Capital and are based in the Kingdom of Saudi Arabia.

	2022	2021
Investments held to cover unit-linked liabilities		
AlAhli Multi-Asset Conservative Fund	285,863	0
AlAhli Multi-Asset Moderate Fund	150,656	0
AlAhli Multi-Asset Growth Fund	118,342	0
Total	**554,861**	**0**

	2022	2021
The movement in unit-linked investments during the period is as follows:		
Balance at start of the period	0	0
Acquired through business combination	676,132	0
Purchased during the period	0	0
Redemption during the period	(80,730)	0
Change in fair value during the period	(40,541)	0
Balance at end of the period	**554,861**	**0**

Carrying amounts and fair values

All Unit-linked investments are classified under Level 2 fair value hierarchy.

12. INVESTMENTS

Investments are classified as follows:

	2022	2021
Insurance operations		
Fair value through income statement (FVIS)	0	0
Shareholders' operations		
Fair value through income statement	274,434	0
Available for sale	362,178	325,638
Total	**636,612**	**325,638**

12.1 Insurance operations

Movement in FVIS investments	2022	2021
Balance at start of the period	0	0
Acquired through business combination	21,890	0
Purchases	0	0
Disposals	(21,971)	0
Unrealised gain during the period	81	0
Balance at end of the period	**0**	**0**

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12.2 Shareholders' operations

Movement in FVIS investments	**2022**	**2021**
Balance at start of the period	0	0
Acquired through business combination	248,798	0
Purchases	16,667	0
Disposals / Reclassification	2,295	0
Unrealised gain during the period	6,674	0
Balance at end of the period	**274,434**	0

Movement in Available for Sale investments	**2022**	**2021**
Investments at cost	324,648	248,981
Cumulative unrealised gains	990	(2,426)
Total balance at start	**325,638**	**246,555**
Purchases at cost	99,533	215,000
Disposals at cost	(63,500)	(139,333)
Net movement at cost	**36,033**	**75,667**
Net change in fair value of investments	5,783	16,596
Net realised amounts transferred to statement of income	(5,276)	(13,180)
Net change in unrealised fair value of investments	**507**	**3,416**
Investments at cost	360,681	324,648
Cumulative unrealised gains	1,497	990
Total balance at end of the period	**362,178**	**325,638**

Realised gains to Statement of Income	**2022**	**2021**
Proceeds from disposal of investments	68,776	152,513
Costs of investments sold	(63,500)	(139,333)
Realised gains	**5,276**	**13,180**

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12.3 Fair Values of Financial Instruments

Determination of fair value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Underlying the definition of fair value is a presumption that the enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms and that the transaction takes place either:
- in the accessible principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The fair value of financial instruments is based where possible on quoted prices for marketable securities. The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

For financial instruments where there is no active market, fair value is determined by reference to the market value of similar financial instruments or where this cannot be determined, they are calculated using a variety of valuation techniques. The assumptions are taken from observable market data where possible and where this is not possible judgment is relied upon to establish fair values.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

Carrying amounts and fair values

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

	Level 1	Level 2	Level 3	Carrying Value
Mutual funds	22,006	421,414	0	443,420
Sukuk	0	179,880	0	179,880
Equities	11,389	0	1,923	13,312
Total 31 Dec 2022	**33,395**	**601,294**	**1,923**	**636,612**
Mutual funds	0	154,667	0	154,667
Sukuk	0	156,346	0	156,346
Equities	12,702	0	1,923	14,625
Total 31 Dec 2021 – Audited	**12,702**	**311,013**	**1,923**	**325,638**

There were no transfers or reclassifications between or within levels during the 12 month period ended 31 December 2022 (31 December 2021: None

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13. PROPERTY AND EQUIPMENT – NET

	Lease Fixtures	Office Furniture	Office Equip.	Motor Vehicles	IT Equip.	Capital Work in Progress	Total
Cost							
Balance 31 Dec 2020	5,294	1,519	3,430	173	9,428	138	19,982
Additions	0	21	7	201	615	263	1,107
Transfer In / (Out)	0	0	211	0	0	(211)	0
Disposals	0	0	0	0	0	0	0
Balance 31 Dec 2021	**5,294**	**1,540**	**3,648**	**374**	**10,043**	**190**	**21,089**
Balance 31 Dec 2021	5,294	1,540	3,648	374	10,043	190	21,089
Acquired by merger	1,973	1,230	771	0	10,444	0	14,418
Additions	87	2	175	326	1,498	172	2,260
Transfer In / (Out)	0	0	245	0	0	(245)	0
Disposals	(201)	(100)	0	(173)	0	0	(474)
Balance 31 Dec 2022	**7,153**	**2,672**	**4,839**	**527**	**21,985**	**117**	**37,293**
Accumulated Depreciation							
Balance 31 Dec 2020	4,509	1,388	3,189	165	7,682	0	16,933
Additions	349	94	290	10	700	0	1,443
Transfer In / (Out)	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Balance 31 Dec 2021	**4,858**	**1,482**	**3,479**	**175**	**8,382**	**0**	**18,376**
Balance 31 Dec 2021	4,858	1,482	3,479	175	8,382	0	18,376
Acquired by merger	1,598	779	591	0	8,095	0	11,063
Additions	426	96	191	74	1,560	0	2,347
Transfer In / (Out)	0	0	0	0	0	0	0
Disposals	(198)	(100)	0	(173)	0	0	(471)
Balance 31 Dec 2022	**6,684**	**2,257**	**4,261**	**76**	**18,037**	**0**	**31,315**
Net Book Value 31 Dec 2021	**436**	**58**	**169**	**199**	**1,661**	**190**	**2,713**
Net Book Value 31 Dec 2022	**469**	**415**	**578**	**451**	**3,948**	**117**	**5,978**

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14. INTANGIBLE ASSETS – NET

	Customer Relation	Software	Capital Work in Progress	Total
Cost				
Balance 31 Dec 2020	0	24,633	206	24,839
Additions	0	1,704	1,899	3,603
Transfer In / (Out)	0	406	(406)	0
Disposals	0	0	0	0
Balance 31 Dec 2021	**0**	**26,743**	**1,699**	**28,442**
Balance 31 Dec 2021	0	26,743	1,699	28,442
Acquired by merger	34,244	10,296	110	44,650
Additions	0	3,715	794	4,509
Transfer In / (Out)	0	2,155	(2,155)	0
Disposals	0	0	0	0
Balance 31 Dec 2022	**34,244**	**42,909**	**448**	**77,601**
Accumulated Depreciation				
Balance 31 Dec 2020	0	14,836	0	14,836
Additions	0	2,939	0	2,939
Transfer In / (Out)	0	0	0	0
Disposals	0	0	0	0
Balance 31 Dec 2021	**0**	**17,775**	**0**	**17,775**
Balance 31 Dec 2021	0	17,775	0	17,775
Acquired by merger	0	9,576	0	9,576
Additions	2,800	3,739	0	6,539
Transfer In / (Out)	0	0	0	0
Disposals	0	0	0	0
Balance 31 Dec 2022	**2,800**	**31,090**	**0**	**33,890**
Net Book Value 31 Dec 2021	**0**	**8,968**	**1,699**	**10,667**
Net Book Value 31 Dec 2022	**31,444**	**11,819**	**448**	**43,711**

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15. PURCHASE OF INSURANCE PORTFOLIO AND RELATED BUSINESS, ASSETS AND LIABILITIES OF ARABIAN SHIELD INSURANCE COMPANY EC

The insurance portfolio and related business of Arabian Shield Insurance Company EC was acquired by the Company effective 01 January 2009 at a purchase consideration approved by SAMA resulting in a Goodwill amount of 49,100.

The related assets and liabilities of Arabian Shield Insurance Company EC were also acquired at book value amounting to 20,826 as per the audited financial statements of Arabian Shield Insurance Company EC at 31 December 2008.

The combined sum due to Arabian Shield Insurance Company EC in consideration for goodwill and net assets acquired amounted to 69,926.

Based on criteria related to the Company's earnings up to 31 December 2015 the Goodwill amount was subsequently reduced by 2,306 to 46,794. This in turn resulted in a reduction in the combined sum due to Arabian Shield Insurance Company EC from 69,926 to 67,619 which has been fully paid with no further amounts owing.

The Company carried out an assessment of impairment, annually concluding the fair value less cost to sell approach to determine the reasonable value, based on the assessment the goodwill is not consider to be impaired.

16. ACCOUNTS PAYABLE

	2022	2021
Policy acquisition costs payable	13,502	8,520
Claims and other accounts payable	24,332	35,344
Total	**37,834**	**43,864**

17. ANALYSIS OF WRITTEN AND EARNED PREMIUMS

	2022	2021
Written premiums		
Gross premiums written	1,106,285	558,166
Ceded premiums written	(345,081)	(163,576)
Net	**761,204**	**394,590**
Excess of loss expenses incurred	(4,136)	(3,780)
Net premiums written	**757,068**	**390,810**

	2022	2021
Earned premiums		
Gross premiums written	1,027,906	558,709
Ceded premiums written	(344,765)	(193,735)
Net	**683,141**	**364,974**
Excess of loss expenses incurred	(4,136)	(3,780)
Net premiums written	**679,005**	**361,194**

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18. MOVEMENT IN UNEARNED PREMIUMS

Full Year ended 31 Dec 2022	**Gross**	**Reinsurance**	**Net**
Balance at start of year	189,910	(41,373)	148,537
Acquired through business combination	2,085	(1,384)	701
Premium written during year	1,106,285	(349,217)	757,068
Premium earned during year	(1,027,906)	348,901	(679,005)
Balance at end of year	**270,374**	**(43,073)**	**227,301**
Change in unearned premiums	**78,379**	**(316)**	**78,063**

Full Year ended 31 Dec 2021	**Gross**	**Reinsurance**	**Net**
Balance at start of year	190,453	(71,532)	118,921
Premium written during year	558,166	(167,356)	390,810
Premium earned during year	(558,709)	197,515	(361,194)
Balance at end of year	**189,910**	**(41,373)**	**148,537**
Change in unearned premiums	**(543)**	**30,159**	**29,616**

19. ANALYSIS OF WRITTEN AND EARNED REINSURANCE COMMISSION

	2022	**2021**
Written commission		
Standard commission written	32,274	28,329
Profit commission written	2,605	2,262
Total commission written	**34,879**	**30,591**

	2022	**2021**
Earned commission		
Standard commission earned	32,465	33,685
Profit commission earned	2,605	2,262
Total commission earned	**35,070**	**35,947**

20. MOVEMENT IN UNEARNED REINSURANCE COMMISSION

Full Year ended 31 Dec 2022	**Standard Commission**	**Profit Commission**	**Total Commission**
Balance at start of year	8,792	0	8,792
Commission written during year	32,274	2,605	34,879
Commission earned during year	(32,465)	(2,605)	(35,070)
Balance at end of year	**8,601**	**0**	**8,601**
Change in unearned commission	**(191)**	**0**	**(191)**

Full Year ended 31 Dec 2021	**Standard Commission**	**Profit Commission**	**Total Commission**
Balance at start of year	14,148	0	14,148
Commission written during year	28,329	2,262	30,591
Commission earned during year	(33,685)	(2,262)	(35,947)
Balance at end of year	**8,792**	**0**	**8,792**
Change in unearned commission	**(5,356)**	**0**	**(5,356)**

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21. NET OUTSTANDING CLAIMS AND TECHNICAL RESERVES

	2022	2021
Outstanding gross claims	230,080	87,531
Gross claims incurred but not reported	214,139	160,342
Premium deficiency reserve	13,525	11,250
Unit reserves	557,968	0
Other technical reserves	5,318	6,700
Outstanding gross claims and technical reserves	**1,021,030**	**265,823**
Less reinsurers' share of outstanding gross claims	(149,381)	(57,553)
Less reinsurers' share of gross claims incurred but not reported	(63,670)	(41,599)
Outstanding claims and technical reserves, net	**807,979**	**166,671**

22. MOVEMENT IN OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	Gross	Reinsurers	Net
Full Year ended 31 Dec 2022			
Outstanding claims	87,531	(57,553)	29,978
IBNR reserve	160,342	(41,599)	118,743
Premium deficiency reserve	11,250	0	11,250
Other technical reserves	6,700	0	6,700
Total at start of year	**265,823**	**(99,152)**	**166,671**
Outstanding claims	83,972	(57,801)	26,171
IBNR reserve	32,718	(25,751)	6,967
Premium deficiency reserve	0	0	0
Other technical reserves	437	0	437
Mathematical technical reserves	691,337	0	691,337
Total acquired during merger	**808,464**	**(83,552)**	**724,912**
Provided claims	654,695	(207,740)	446,955
Provided IBNR reserve	21,079	3,680	24,759
Provided premium deficiency reserve	2,275	0	2,275
Provided other technical reserves	(1,819)	0	(1,819)
Provided mathematical reserves	(133,369)	0	(133,369)
Total provided during the period	**542,861**	**(204,060)**	**338,801**
Paid claims during the period	**(596,118)**	**173,713**	**(422,405)**
Outstanding claims	230,080	(149,381)	80,699
Outstanding IBNR reserve	214,139	(63,670)	150,469
Outstanding premium deficiency reserve	13,525	0	13,525
Outstanding other technical reserves	3,056	0	3,056
Other technical reserves - PTSH	2,262	0	2,262
Mathematical technical reserves	557,968	0	557,968
Total at end of period	**1,021,030**	**(213,051)**	**807,979**
Change in outstanding claims	**58,577**	**(34,027)**	**24,550**
Change in IBNR reserve	**21,079**	**3,680**	**24,759**
Change in premium deficiency reserve	**2,275**	**0**	**2,275**
Change in other technical reserves	**(1,819)**	**0**	**(4,081)**
Change Mathematical technical reserves	**(133,369)**	**0**	**(133,369)**

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	Gross	Reinsurers	Net
Full Year ended 31 Dec 2021			
Outstanding claims	126,934	(96,840)	30,094
IBNR reserve	170,884	(54,631)	116,253
Premium deficiency reserve	15,500	0	15,500
Other technical reserves	13,000	0	13,000
Total at start of year	**326,318**	**(151,471)**	**174,847**
Provided claims	339,568	(58,085)	281,483
Provided IBNR reserve	(10,542)	13,032	2,490
Provided premium deficiency reserve	(4,250)	0	(4,250)
Provided other technical reserves	(6,300)	0	(6,300)
Total provided during the period	**318,476**	**(45,053)**	**273,423**
Paid claims during the period	**(378,971)**	**97,372**	**(281,599)**
Outstanding claims	87,531	(57,553)	29,978
Outstanding IBNR reserve	160,342	(41,599)	118,743
Outstanding premium deficiency reserve	11,250	0	11,250
Outstanding other technical reserves	6,700	0	6,700
Total at end of period	**265,823**	**(99,152)**	**166,671**
Change in outstanding claims	**(39,403)**	**39,287**	**(116)**
Change in IBNR reserve	**(10,542)**	**13,032**	**2,490**
Change in premium deficiency reserve	**(4,250)**	**0**	**(4,250)**
Change in other technical reserves	**(6,300)**	**0**	**(6,300)**

23. CLAIMS DEVELOPMENT

The Company aims to maintain adequate reserves in respect of its insurance contracts in order to protect against adverse future claims experience and developments.

The triangulation analysis and tables below reflect, by accident year, the cumulative development of reported claims up to each subsequent annual reporting date. Cumulative payments against reported claims are shown and deducted from the cumulative development of reported claims to show the reserve for outstanding reported claims. The reserve at the latest reporting date for incurred but not reported claims (IBNR) is added to complete the estimate of the ultimate value of claims cumulatively incurred to that reporting date whether reported or not. Comparative tables at 31 December 2022 are shown.

Quarterly evaluation techniques review the adequacy of IBNR reserves and the Company's capability to accurately predict the ultimate claims liability.

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Claims development table gross of reinsurance

Accident Years	2017 & Earlier	2018	2019	2020	2021	2022	Total
2022							
Estimate of ultimate claims costs							
At the end of accident year	3,059,638	337,050	410,537	256,313	311,432	562,029	
One year later	3,096,022	396,610	449,867	315,117	502,402		
Two years later	3,095,582	395,357	437,475	312,497			
Three years later	3,094,642	386,304	434,191				
Four years later	3,085,421	379,094					
Five years later	3,084,204						
Current estimate of cumulative claims	3,084,204	379,094	434,191	312,497	502,402	562,029	5,274,417
Cumulative payments to date	(3,056,292)	(373,658)	(427,056)	(308,271)	(428,252)	(450,807)	(5,044,336)
Liability recognised in statement of	27,912	5,436	7,136	4,226	74,149	111,223	230,081
Incurred but not reported claims							214,139
Premium deficiency reserve							13,525
Other technical reserves							5,318
Outstanding claims and reserves							**463,063**

Accident Years	2016 & Earlier	2017	2018	2019	2020	2021	Total
2021							
Estimate of ultimate claims costs							
At the end of accident year	2,676,911	345,326	337,050	410,537	256,313	311,432	
One year later	2,714,312	373,654	396,610	449,867	315,117		
Two years later	2,722,368	374,951	395,357	437,475			
Three years later	2,720,631	374,280	386,304				
Four years later	2,720,362	367,199					
Five years later	2,718,222						
Current estimate of cumulative claims	2,718,222	367,199	386,304	437,475	315,117	311,432	4,535,749
Cumulative payments to date	(2,694,848)	(359,312)	(373,601)	(427,092)	(308,449)	(284,916)	(4,448,218)
Liability recognised in statement of	23,374	7,887	12,703	10,383	6,668	26,516	87,531
Incurred but not reported claims							160,342
Premium deficiency reserve							11,250
Other technical reserves							6,700
Outstanding claims and reserves							**265,823**

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Claims development table net of reinsurance

Accident Years	2017 & Earlier	2018	2019	2020	2021	2022	Total
2022							
Estimate of ultimate claims costs							
At the end of accident year	1,510,442	253,177	334,481	187,818	283,367	360,959	
One year later	1,535,052	309,369	372,820	189,535	396,869		
Two years later	1,535,425	308,957	371,482	189,278			
Three years later	1,536,281	308,765	371,193				
Four years later	1,534,210	308,533					
Five years later	1,533,654						
Current estimate of cumulative claims	1,533,654	308,533	371,193	189,278	396,869	360,959	3,160,486
Cumulative payments to date	(1,526,025)	(306,924)	(368,962)	(187,604)	(370,602)	(319,670)	(3,079,786)
Liability recognised in statement of	7,629	1,608	2,232	1,674	26,267	41,289	80,700
Incurred but not reported claims							150,469
Premium deficiency reserve							13,525
Other technical reserves							5,318
Outstanding claims and reserves							**250,012**

Accident Years	2016 & Earlier	2017	2018	2019	2020	2021	Total
2021							
Estimate of ultimate claims costs							
At the end of accident year	1,249,458	229,420	253,177	334,481	187,818	283,367	
One year later	1,281,022	247,866	309,369	372,820	189,535		
Two years later	1,287,186	248,941	308,957	371,482			
Three years later	1,286,484	248,760	308,765				
Four years later	1,287,521	247,872					
Five years later	1,286,338						
Current estimate of cumulative claims	1,286,338	247,872	308,765	371,482	189,535	283,367	2,687,359
Cumulative payments to date	(1,279,384)	(245,547)	(306,923)	(369,005)	(187,146)	(269,376)	(2,657,381)
Liability recognised in statement of	6,954	2,325	1,842	2,477	2,389	13,991	29,978
Incurred but not reported claims							118,743
Premium deficiency reserve							11,250
Other technical reserves							6,700
Outstanding claims and reserves							**166,671**

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24. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax have been provided for in accordance with regulations currently in force in Saudi Arabia.

The temporary and permanent differences between financial and adjusted taxable results are mainly due to adjustments to depreciation, provisions and other items in accordance with the income tax regulations. Deferred tax arising out of these differences is not significant and accordingly was not provided for.

Zakat is calculated on Saudi shareholders' share of adjusted equity subject to a minimum base equal to the relevant share of adjusted net profit. Foreign shareholders are subject to income tax calculated on the relevant share of adjusted net profit.

	2022	2021
Percentages applicable to zakat and income tax		
Shareholding percentage subject to zakat	**92%**	**94%**
Shareholding percentage subject to income tax	**8%**	**6%**
Movement on zakat account		
Balance start of year	39,216	36,483
Acquired through business combination	9,928	0
Provided	18,492	9,713
Paid	(17,741)	(6,980)
Balance end of year	**49,895**	**39,216**
Movement on income tax account		
Balance start of year	1,500	1,752
Provided	139	741
Paid	(820)	(993)
Balance end of year	**819**	**1,500**

Status of assessments

The Company has filed zakat and income tax returns for the period from incorporation to 31 December 2008 and for each of the years ended 31 December 2009 to 31 December 2021.

The returns filed covering periods to 31 December 2014 have been agreed and finalised with Zakat, Tax and Customs Authority (ZATCA) and zakat and income tax liabilities arising thereon have been discharged in full. Final assessments are awaited for the remaining outstanding years.

25. VALUE ADDED TAX

The Company has received an initial Value Added Tax ("VAT") assessment from ZATCA for the years ended 31 December 2018 to 31 December 2020. Accordingly the Company has booked necessary accruals within the financial statements. Final outcome of the assessments are still pending as of 31 December 2022.

26. SHARE CAPITAL

The Board of Directors resolved in their meeting held on 12 January 2021 to increase the share capital subject to receiving the required approvals of the relevant authorities and thereafter the approval of shareholders.

The resolution provided for a share capital increase from 300,000 to 400,000 by issuing one bonus share for every three shares held thereby increasing the number of shares in issue from 30,000,000 shares to 40,000,000 shares with the additional 100,000 share capital generated by capitalising 80,000 from retained earnings and 20,000 from statutory reserve.

Approval was received from the Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) on 08 April 2021 and 06 May 2021, respectively. Approval from shareholders was obtained in the general assembly meeting held on 09 June 2021 and the bonus shares were issued on 10 June 2021. The total transaction costs relating to the bonus share issue amounted to 35.

The shareholders of the Company in their Extraordinary General Assembly meeting ("EGAM") held on 09 December 2021 (corresponding to 05 Jumada Al Oula 1443) approved increasing share capital to acquire Al Ahli Takaful Company. The Company has announced the effectiveness of the merger of ATC into the Company on 12 January 2022 (corresponding to 09 Jumada Al-Thani 1443) after satisfying the Merger conditions agreed between the two companies in the Merger agreement and set out in the Shareholder Circular and the Offer Document issued by the Company with respect to the Merger, including the expiry of the creditors' objection period with no outstanding or unsettled objections. The merger resulted in the increase of the paid-up capital from 400,000 to 638,525.

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27. STATUTORY RESERVE

In compliance with the Cooperative Insurance Law, the Implementing Regulations and the By-Laws, 20% of shareholders' net profit (as defined below) is transferred to statutory reserve at the end of each financial year until the statutory reserve amounts to 100% of the paid capital.

In calculating Statutory Reserve, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gain.

The Statutory Reserve is not available for distribution but it may be converted to share capital in funding a bonus share issue.

28. EARNINGS PER SHARE

Earnings per share is calculated by dividing shareholders' net profit (as defined below) by the weighted average number of issued shares during the period.

In calculating earnings per share, shareholders' net profit is stated after deducting zakat and income tax charges and excludes unrealised investment gains.

Earnings per share is calculated based on the revised number of shares following the business combination share issue on 12 January 2022. The weighted average number of issued shares in 31 December 2022 is 63,133,621 (31 December 2021: 40,000,000).

As there are no dilutive effects, basic and diluted SAR earnings per share are the same.

29. POLICYHOLDERS' SURPLUS DISTRIBUTION PAYABLE

	2022	2021
Balance start of year	5,120	4,570
Acquired through business combination	22,570	
Surplus provided during year	2,881	2,869
Surplus distributed during year	(1,677)	(2,319)
Balance end of year	**28,894**	**5,120**

30. CAPITAL MANAGEMENT

Objectives are set by the Company to optimise the structure and sources of capital and maintain healthy capital ratios to support its business objectives and consistently maximise returns to shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximising the return to stakeholders. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, statutory reserves, retained earnings and fair value reserve on investments.

The Implementing Regulations detail a minimum solvency margin requirement calculated as the highest of the following:
• Minimum net assets of 100,000 – calculated after adjusting for admissibility factors
• Premium solvency margin calculation
• Claims solvency margin calculation

The Company is in compliance with all externally imposed capital requirements. The capital structure of the Company as shown in the statement of financial position as at 31 December 2022 totals 1,112,886 consisting of paid-up share capital 638,525, share premium 355,879, statutory reserves 31,681, retained earnings 86,722, fair value reserve gain on investments 1,497 and re-measurement reserve for end-of-service indemnities (1,418), 31 December 2021 totals 488,713 consisting of paid-up share capital 400,000, statutory reserves 26,097, retained earnings 64,386, fair value reserve loss on investments 990 and re-measurement reserve for end-of-service indemnities (2,760).

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

31. RELATED PARTY TRANSACTIONS AND BALANCES

Definitions and explanations

Related parties represent shareholders, both individual and corporate, directors, members of the audit, executive, investment, risk and nomination and remuneration committees, the board secretary, key executives and entities controlled (including jointly controlled) or significantly influenced by such parties. The immediate families of the above are related parties.

Key Executives, in the context of defining Related Parties, for the year ended 31 December 2022 means the following five people (year ended 31 December 2021: six people) – the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the three other executives (year ended 31 December 2021: four other executives) who earned the highest remuneration.

All transactions with related parties are made on an arm's length basis and no conflicts or potential conflicts of interest were identified during the year ended 31 December 2022 and 2021. Amounts due to related parties do not include amounts provided for outstanding claims under processing or IBNR. Balances due to or from related parties are unsecured, interest free and are settled in cash and no guarantees have been made or received in relation to any related party transaction or balance.

An impairment assessment is undertaken by examining the financial position of and the market in which each related party operates. For the year ended 31 December 2022, the Company has not recorded any impairment of receivables relating to amounts due from related parties (year ended 31 December 2021: Nil).

Transactions with related parties are in respect of purchase of insurance portfolio and related business, investments, remuneration and annual insurance contracts.

Remuneration of Board of Directors and Committee Members for the year ended 31 December 2022

A provision amounting to 2,340 was made in the financial statements for the year ended 31 December 2022 in respect of board fees, attendance fees and reimbursement of expenses for the board and for members of the audit, executive, investment, risk and nomination and remuneration committees. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2023.

Remuneration of Board and Committee Secretaries for year ended 31 December 2022

A provision amounting to 160 was made in the financial statements for year ended 31 December 2022, in respect of remuneration for the Board Secretary. Approval to pay up to this amount shall be sought at the General Assembly to be held in 2023.

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Salaries and Allowances of Key Executives and Board Secretary

Salaries and Allowances encompass all elements of compensation including provision for end-of-service benefit.

Salaries and Allowances	**2022**	**2021**
Provided and paid for key executives	**6,997**	**7,263**

Transactions with and amounts due to and from related parties

Transactions with related parties	**2022**	**2021**
Gross written premiums from related parties		
Shareholders	254,306	231
Committees, board secretary and key executives	17	24
Entities controlled or significantly influenced	211,183	219,158
Ceded written premiums to related parties		
Entities controlled or significantly influenced	128	87
Commissions from related parties		
Entities controlled or significantly influenced	13	17
Commissions to related parties		
Entities controlled or significantly influenced	0	0
Gross claims paid by related parties		
Shareholders	104,980	73
Entities controlled or significantly influenced	137,775	124,683
Ceded claims paid to related parties		
Entities controlled or significantly influenced	3	0
Unit-Linked Investment		
Entities controlled or significantly influenced	554,861	0
Unit-Linked Fees (Rebate)		
Entities controlled or significantly influenced	4,204	0
Investment portfolio - Shareholders		
Entities controlled or significantly influenced	274,434	0
Investment portfolio income - Shareholders		
Entities controlled or significantly influenced	6,749	0
Marketing agency commission		
Entities controlled or significantly influenced	110	0

Amounts due to and from related parties	**2022**	**2021**
Amounts due from related parties		
Shareholders	12,927	0
Entities controlled or significantly influenced	11,770	13,554
Provision	(2,725)	(605)
Total due from related parties, net	**21,972**	**12,949**
Amounts due to related parties		
Shareholders	0	0
Entities controlled or significantly influenced	1,994	566
Total due to related parties	**1,994**	**566**

32. SEGMENT REPORTING

Segment reporting is not undertaken for shareholders' operations, assets and liabilities.

Insurance operations - geographic segments:
The Company has since incorporation operated primarily in Saudi Arabia.

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

Transactions between operating segments are on normal commercial terms and conditions.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of income.

There have been no changes to the basis of segmentation or the measurement basis for segment profits or losses since 31 December 2021.

Unallocated assets not subject to segmentation are cash and cash equivalents, short term fixed income deposits, premiums and reinsurers' receivable – net, investments, due from related parties – net, prepaid expenses and other assets, property and equipment – net, intangible assets – net, goodwill, statutory deposits and accrued income on statutory deposits.

Unallocated liabilities not subject to segmentation are accrued and other liabilities, due to related parties, accounts payable, withholding tax provision, regulators' levies provision, end-of-service indemnities, policyholders' surplus distribution payable, zakat, income tax and accrued commission income payable to SAMA.

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

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The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at 31 December 2022 and 31 December 2021 and for its total revenues, expenses and net income for the years then ended are as follows:

Operating segments at 31 Dec 2022	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	23,318	0	13,475	6,280	43,073	0	43,073
Reinsurers' share of outstanding gross claims	34,869	0	18,210	96,302	149,381	0	149,381
Reinsurers' share of gross claims IBNR	27,500	0	5,090	31,080	63,670	0	63,670
Deferred policy acquisition costs	3,645	11,478	571	380	16,074	0	16,074
Deferred withholding tax	874	0	510	74	1,458	0	1,458
Unit-link investments, net	0	0	0	554,861	554,861	0	554,861
Total allocated assets	**90,206**	**11,478**	**37,856**	**688,977**	**828,517**	**0**	**828,517**
Unallocated assets:							
Cash and cash equivalents					106,081	40,013	146,094
Short term fixed income deposits					227,815	115,000	342,815
Premiums and reinsurers' receivable – net					182,099	0	182,099
Investments					0	636,612	636,612
Due from related parties – net					21,972	0	21,972
Prepaid expenses and other assets					24,698	10,558	35,256
Property and equipment – net					5,978	0	5,978
Intangible assets – net					12,267	31,444	43,711
Goodwill					0	364,948	364,948
Statutory deposit					0	63,852	63,852
Accrued income and statutory deposit					0	6,781	6,781
Total unallocated assets					**580,910**	**1,269,208**	**1,850,118**
TOTAL ASSETS					**1,409,427**	**1,269,208**	**2,678,635**
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	2,593	0	9,086	29,208	40,887	0	40,887
Unearned gross premiums	59,002	187,267	15,742	8,363	270,374	0	270,374
Unearned reinsurance commission	4,605	0	2,945	1,051	8,601	0	8,601
Outstanding gross claims	62,918	9,617	26,481	131,064	230,080	0	230,080
Gross claims incurred but not reported	55,000	113,000	6,787	39,352	214,139	0	214,139
Premium deficiency reserve	0	13,350	175	0	13,525	0	13,525
Unit reserves	0	0	0	557,968	557,968	0	557,968
Other technical reserves	1,125	1,175	345	2,673	5,318	0	5,318
Total allocated liabilities	**185,243**	**324,409**	**61,561**	**769,679**	**1,340,892**	**0**	**1,340,892**
Unallocated liabilities:							
Accrued and other liabilities					79,863	3,660	83,523
Due to related parties					1,994	0	1,994
Accounts payable					37,834	0	37,834
Withholding tax provision					2,952	0	2,952
Regulators' levies provision					0	0	0
End-of-service indemnities					12,165	0	12,165
Policyholders' surplus distribution payable					28,894	0	28,894
Zakat					0	49,895	49,895
Income tax					0	819	819
Accrued commission income payable to SAMA					0	6,781	6,781
Total unallocated liabilities					**163,702**	**61,155**	**224,857**
TOTAL LIABILITIES					**1,504,594**	**61,155**	**1,565,749**

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Operating segments at 31 Dec 2021	Motor	Medical	Property & Casualty	Protection & Savings	Total Insurance Operations	Total Shareholders' Operations	Total
ASSETS							
Allocated assets:							
Reinsurers' share of unearned gross premiums	18,871	0	17,273	5,229	41,373	0	41,373
Reinsurers' share of outstanding gross claims	23,140	0	30,054	4,359	57,553	0	57,553
Reinsurers' share of gross claims IBNR	35,001	0	5,726	872	41,599	0	41,599
Deferred policy acquisition costs	2,095	6,830	733	468	10,126	0	10,126
Deferred withholding tax	945	0	767	261	1,973	0	1,973
Deferred regulators' levies	191	1,888	86	34	2,199	0	2,199
Total allocated assets	**80,243**	**8,718**	**54,639**	**11,223**	**154,823**	**0**	**154,823**
Unallocated assets:							
Cash and cash equivalents					231,062	134,493	365,555
Premiums and reinsurers' receivable – net					149,465	0	149,465
Investments					0	325,638	325,638
Due from related parties – net					12,949	0	12,949
Prepaid expenses and other assets					34,518	2,366	36,884
Property and equipment – net					2,713	0	2,713
Intangible assets – net					10,667	0	10,667
Goodwill					0	46,794	46,794
Statutory deposit					0	40,000	40,000
Accrued income and statutory deposit					0	3,134	3,134
Total unallocated assets					**441,374**	**552,425**	**993,799**
TOTAL ASSETS					**596,197**	**552,425**	**1,148,622**
LIABILITIES							
Allocated liabilities:							
Reinsurers' balances payable	412	0	8,971	4,491	13,874	0	13,874
Unearned gross premiums	38,049	125,854	19,194	6,813	189,910	0	189,910
Unearned reinsurance commission	3,774	0	3,870	1,148	8,792	0	8,792
Outstanding gross claims	40,660	4,420	37,678	4,773	87,531	0	87,531
Gross claims incurred but not reported	70,000	81,750	7,401	1,191	160,342	0	160,342
Premium deficiency reserve	1,600	9,650	0	0	11,250	0	11,250
Other technical reserves	3,000	2,600	920	180	6,700	0	6,700
Total allocated liabilities	**157,495**	**224,274**	**78,034**	**18,596**	**478,399**	**0**	**478,399**
Unallocated liabilities:							
Accrued and other liabilities					69,873	2,512	72,385
Due to related parties					566	0	566
Accounts payable					43,864	0	43,864
Withholding tax provision					3,863	0	3,863
Regulators' levies provision					1,655	0	1,655
End-of-service indemnities					10,207	0	10,207
Policyholders' surplus distribution payable					5,120	0	5,120
Zakat					0	39,216	39,216
Income tax					0	1,500	1,500
Accrued commission income payable to SAMA					0	3,134	3,134
Total unallocated liabilities					**135,148**	**46,362**	**181,510**
TOTAL LIABILITIES					**613,547**	**46,362**	**659,909**

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Operating segments for the year ended 31 Dec 2022	**Motor**	**Medical**	**Property & Casualty**	**Protection & Savings**	**Insurance Operations**
REVENUES					
Gross premiums written:					
· Individuals	44,568	42,993	5,634	150,061	243,256
· Very small corporate entities	1,521	44,225	225	0	45,971
· Small corporate entities	15,318	21,999	3,849	(38)	41,128
· Medium corporate entities	13,158	56,228	7,438	10	76,834
· Large corporate entities	54,006	294,023	79,000	272,067	699,096
Gross premiums written – total	**128,571**	**459,468**	**96,146**	**422,100**	**1,106,285**
Reinsurance premiums ceded – local	(13,045)	0	(7,821)	(94,252)	(115,118)
Reinsurance premiums ceded – foreign	(38,081)	0	(78,917)	(112,965)	(229,963)
Excess of loss expenses	(1,360)	0	(1,973)	(803)	(4,136)
Net premiums written	**76,085**	**459,468**	**7,435**	**214,080**	**757,068**
Change in unearned gross premiums	(20,953)	(61,413)	3,452	535	(78,379)
Change in reinsurers' share of unearned gross premiums	4,446	0	(3,797)	(333)	316
Net premiums earned	**59,578**	**398,055**	**7,090**	**214,282**	**679,005**
Reinsurance commissions	9,267	0	21,516	4,287	35,070
Other underwriting income	1,478	23,618	0	4,204	29,300
TOTAL REVENUES	**70,323**	**421,673**	**28,606**	**222,773**	**743,375**
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(97,488)	(334,212)	(485)	(163,933)	(596,118)
Reinsurers' share of gross claims paid	44,210	0	158	129,345	173,713
Net claims paid	**(53,278)**	**(334,212)**	**(327)**	**(34,588)**	**(422,405)**
Changes in outstanding gross claims	(22,259)	(5,198)	11,198	(42,318)	(58,577)
Changes in reinsurers' share of outstanding gross claims	11,728	0	(11,843)	34,142	34,027
Changes in gross IBNR	15,000	(31,250)	614	(5,443)	(21,079)
Changes in reinsurers' share of gross IBNR	(7,500)	0	(637)	4,457	(3,680)
Net claims incurred	**(56,309)**	**(370,660)**	**(995)**	**(43,750)**	**(471,714)**
Investible Contribution, Net	0	0	0	(114,273)	(114,273)
Premium deficiency reserve	1,600	(3,700)	(175)	0	(2,275)
Other technical reserves	1,875	1,425	575	(2,056)	1,819
Policy acquisition costs	(5,528)	(15,176)	(1,089)	(4,267)	(26,060)
Withholding tax	(2,041)	0	(3,592)	(2,457)	(8,090)
Regulators' levies	(190)	(1,888)	(86)	(34)	(2,198)
Other underwriting expenses	(3,189)	(14,717)	(2,902)	(2,268)	(23,076)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(63,782)**	**(404,716)**	**(8,264)**	**(169,105)**	**(645,867)**
NET UNDERWRITING INCOME	**6,541**	**16,957**	**20,342**	**53,668**	**97,508**
OTHER OPERATING INCOME / (EXPENSES)					
Reversal of doubtful debts					2,866
General and administrative expenses					(74,284)
Depreciation and amortisation					(6,085)
Commission income on deposits					8,724
Realised gain on FVIS investments					81
TOTAL OTHER OPERATING INCOME / (EXPENSES)					**(68,698)**
NET SURPLUS FROM INSURANCE OPERATIONS					**28,810**
Transfer of surplus to Shareholders					(25,929)
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS					**2,881**

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Operating segments for the year ended 31 Dec 2021	Motor	Medical	Property & Casualty	Protection & Savings	Insurance Operations
REVENUES					
Gross premiums written:					
· Individuals	65,828	21,292	4,811	0	91,931
· Very small corporate entities	6,318	6,217	1,027	0	13,562
· Small corporate entities	6,027	8,401	9,667	0	24,095
· Medium corporate entities	6,938	6,760	5,052	0	18,750
· Large corporate entities	24,782	273,173	86,448	25,425	409,828
Gross premiums written – total	**109,893**	**315,843**	**107,005**	**25,425**	**558,166**
Reinsurance premiums ceded – local	(10,988)	0	(8,865)	(241)	(20,094)
Reinsurance premiums ceded – foreign	(43,476)	0	(81,229)	(18,777)	(143,482)
Excess of loss expenses	(1,437)	0	(1,779)	(564)	(3,780)
Net premiums written	**53,992**	**315,843**	**15,132**	**5,843**	**390,810**
Change in unearned gross premiums	44,901	(43,900)	173	(631)	543
Change in reinsurers' share of unearned gross premiums	(30,208)	0	413	(364)	(30,159)
Net premiums earned	**68,685**	**271,943**	**15,718**	**4,848**	**361,194**
Reinsurance commissions	16,534	0	15,127	4,286	35,947
Other underwriting income	5,811	8,763	6	0	14,580
TOTAL REVENUES	**91,030**	**280,706**	**30,851**	**9,134**	**411,721**
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	(142,074)	(215,519)	(9,634)	(11,744)	(378,971)
Reinsurers' share of gross claims paid	79,521	0	8,268	9,583	97,372
Net claims paid	**(62,553)**	**(215,519)**	**(1,366)**	**(2,161)**	**(281,599)**
Changes in outstanding gross claims	(829)	(1,380)	14,523	27,089	39,403
Changes in reinsurers' share of outstanding gross claims	18	0	(13,440)	(25,865)	(39,287)
Changes in gross IBNR	11,200	(8,250)	2,408	5,184	10,542
Changes in reinsurers' share of gross IBNR	(5,597)	0	(2,262)	(5,173)	(13,032)
Net claims incurred	**(57,761)**	**(225,149)**	**(137)**	**(926)**	**(283,973)**
Premium deficiency reserve	1,650	2,600	0	0	4,250
Other technical reserves	3,850	1,280	370	800	6,300
Policy acquisition costs	(4,635)	(7,078)	(1,394)	(2,188)	(15,295)
Withholding tax	(3,746)	0	(3,619)	(985)	(8,350)
Regulators' levies	(419)	(3,345)	(85)	25	(3,824)
Other underwriting expenses	(16,887)	(5,484)	(4,799)	(1,670)	(28,840)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(77,948)**	**(237,176)**	**(9,664)**	**(4,944)**	**(329,732)**
NET UNDERWRITING INCOME / (LOSS)	**13,082**	**43,530**	**21,187**	**4,190**	**81,989**
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for doubtful debts					(5,878)
General and administrative expenses					(46,584)
Depreciation and amortisation					(4,382)
Commission income on deposits					3,547
TOTAL OTHER OPERATING INCOME / (EXPENSES)					**(53,297)**
NET SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS					**28,692**
Transfer of surplus to Shareholders					(25,823)
NET RESULT FROM INSURANCE OPERATIONS AFTER TRANSFER OF SURPLUS TO SHAREHOLDERS					**2,869**

33. RISK MANAGEMENT

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic targets approved by the Board of Directors.

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

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

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

Risks faced by the Company

The Company is exposed to insurance, reinsurance, credit, currency, interest rate, liquidity, regulatory framework, geographical concentration, investment market price and other operational risks. The way these risks are mitigated are summarised 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 if the frequency, severity or absolute amounts of claims are more than expected.

Insurance risk is monitored regularly by the Company to establish if the levels are within the projected frequency bands.

The insurance risks arising from insurance contracts are concentrated in Saudi Arabia.

Insurance risk is influenced by the frequency, severity and absolute amounts of claims. Careful evaluation of risks through implementation of underwriting strategy, together with the use of reinsurance, reduce risk.

The Company underwrites mainly property, accident, motor, medical, marine and group protection and savings 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 diversification and short term nature mitigates risk.

Property and Accident
For property contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties, contents insured and profits of the underlying businesses. The cost of rebuilding properties, replacing contents and the time taken to restart operations following business interruptions are the main factors that influence the level of claims.

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Medical
For medical contracts the main risks are medical expenses incurred for treatment and illness.

Marine
For marine contracts the main risks are loss or damage to craft and accidents resulting in total or partial loss of cargo.

Protection and Savings
The Company writes Protection and Savings Policies and also writes Group Life including Group Credit Life and PHI policies which are categorised as Protection and Savings notwithstanding the absence of savings elements.

The main risks for Protections and Savings Policies are morbidity and mortality of the insured.

In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

In group policies the main risks are mortality and morbidity of the insured compounded due to the concentration of lives. The Company engages in various levels of underwriting including declaration of health, medical questionnaire, reports from specialists and medical tests when required. Group size, the nature of activity carried out by the group, geographic mix and cultural background are all analysed.

The business is protected by extensive reinsurance cover with low retention which affords protection from adverse experience, single large losses, multiple claims and concentrations of risk.

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. 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.

Process used to decide on assumptions

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

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies 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.

Sensitivity Analysis

The amount of the provision for outstanding claims, net including IBNR is sensitive to the basis for making judgements and estimates as outlined in Note 4(b). The net underwriting result set out in the statement of insurance operations will be directly impacted by the amount that the provision for outstanding claims, net including IBNR is understated or overstated as a result of this process.

The impact on net income which would result from an increase or decrease of 5% in net incurred claims with all other assumptions held constant is shown below.

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Net Incurred Claims Increase / (Decrease)	% Change	Impact on Net Income 2022	Impact on Net Income 2021
Motor	5%	(2,815)	(2,888)
Medical	5%	(18,533)	(11,257)
Property and Casualty	5%	(50)	(7)
Protection and Savings	5%	(2,188)	(46)
Total		**(23,586)**	**(14,198)**
Motor	-5%	2,815	2,888
Medical	-5%	18,533	11,257
Property and Casualty	-5%	50	7
Protection and Savings	-5%	2,188	46
Total		**23,586**	**14,198**

b) Reinsurance risk

The Company effects reinsurance with other parties in the normal course of business in order to minimise its financial exposure to potential losses arising from large insurance claims. The reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

Reinsurers are selected using parameters such as minimum acceptable credit rating, reputation and past performance. Local companies who do not carry a formal credit rating are accepted to a limited degree provided they are registered with and approved by local Regulators.

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

c) 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.

The maximum exposure of the Company to credit risk if a default was made by the counter party is equal to the carrying amount of these financial instruments.

The Company seeks to limit credit risk with respect to customers by constant monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to agents and brokers by, on a selective basis, setting credit limits, maintenance of cash deposits with the Company and monitoring of outstanding receivables.

The Company seeks to limit credit risk with respect to bank time deposits by only dealing with reputable banks and by generally placing deposits for periods of not more than twelve months.

To minimise its exposure to significant losses from reinsurer insolvencies, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.

The amounts due from reinsurers are contractually due within a maximum sixty days from end of quarter in which the payment is made for claims under treaty reinsurance and treaty retention excess of loss reinsurance and ninety days for claims under facultative reinsurance.

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

	2022	2021
Premiums and reinsurers' receivable – gross	191,874	163,098
Due from related parties	24,697	13,554
Reinsurers' share of outstanding gross claims	149,381	57,553
Total	**365,952**	**234,205**

ALL AMOUNTS IN SAR '000

d) 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 primarily transacts in Saudi Riyals and at any time balances held in other currencies are of immaterial amounts only and therefore the Company believes that there is minimal risk of significant losses due to exchange rate fluctuations.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

Deposits are generally placed for periods not exceeding twelve months.

An annualized increase or decrease of 1% in interest yields would have an impact on annual profits of 4,478 (year ended 31 December 2021: impact on annual profits of 3,151).

The commission and non-commission bearing deposits and investments of the Company and their maturities at 31 December 2022 and 31 December 2021 are as follows:

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations				
31-Dec-22	292,815	0	554,861	847,676
31-Dec-21	180,916	0	0	180,916
Shareholders' Operations				
31-Dec-22	155,000	0	636,612	791,612
31-Dec-21	134,167	0	325,638	459,805

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and the Company has ensured that sufficient liquid funds are available to meet any commitments as they arise.

g) Regulatory framework risk

The operations of the Company are subject to regulatory requirements in Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of insurance companies and to enable them to meet unforeseen liabilities as they arise.

h) Geographical concentration of risks

The Company's insurance policies primarily relate to risks covered in Saudi Arabia.

i) Investment market price risks

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

The Company's investments amounting to 636,612 (31 December 2021: 325,638) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value % change	Effect on Company's profit
31-Dec-22	-10%	(63,661)
31-Dec-22	10%	63,661
31-Dec-21	-10%	(32,564)
31-Dec-21	10%	32,564

The sensitivity analysis presented is based upon the portfolio position at 31 December 2022 and 31 December 2021. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Company's assets of future movements in the value of investments held by the Company.

j) Other operational risks

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

Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for investors and security for policyholders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors who encompass controls in the following areas:
• Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
• Requirements for the reconciliation and monitoring of transactions;
• Compliance with regulatory and other legal requirements;
• Documentation of controls and procedures;
• Ethical and business standards;
• Risk mitigation policies and procedures; and
• Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.

Senior Management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

34. MATURITY PROFILE

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

The following assets and liabilities in the statement of financial position are excluded from the table below either because they are classified as non-financial assets or non-financial liabilities or because they are not represented by underlying contractual obligations – reinsurers' share of unearned gross premiums, deferred costs, property and equipment – net, intangible assets – net, goodwill, unearned gross premiums, unearned reinsurance commission, premium deficiency reserve, other technical reserves and policyholders' surplus distribution payable.

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	Up to one year	More than one year	Total
As at 31 Dec 2022			
Financial Assets			
Cash and cash equivalents	146,094	0	146,094
Short term fixed income deposits	342,815	0	342,815
Premiums and reinsurers’ receivable - net	182,099	0	182,099
Reinsurers’ share of outstanding gross claims	149,381	0	149,381
Reinsurers’ share of gross claims incurred but not reported	63,670	0	63,670
Unit-linked investments	554,861	0	554,861
Investments	636,612	0	636,612
Due from related parties – net	21,972	0	21,972
Prepaid expenses and other assets	35,256	0	35,256
Statutory deposit	0	63,852	63,852
Accrued income on statutory deposit	0	6,781	6,781
Total	**2,132,760**	**70,633**	**2,203,393**
Financial Liabilities			
Accrued and other liabilities	83,515	0	83,515
Reinsurers' balances payable	40,887	0	40,887
Outstanding gross claims	230,080	0	230,080
Gross claims incurred but not reported	214,139	0	214,139
Due to related parties	1,994	0	1,994
Accounts payable	37,834	0	37,834
Withholding tax provision	2,952	0	2,952
End-of-service indemnities	0	12,165	12,165
Zakat	49,895	0	49,895
Income tax	819	0	819
Accrued commission income payable to SAMA	0	6,781	6,781
Total	**662,115**	**18,946**	**681,061**

	Up to one year	More than one year	Total
As at 31 Dec 2021			
Financial Assets			
Cash and cash equivalents	365,555	0	365,555
Premiums and reinsurers’ receivable - net	149,465	0	149,465
Reinsurers’ share of outstanding gross claims	57,553	0	57,553
Reinsurers’ share of gross claims incurred but not reported	41,599	0	41,599
Investments	325,638	0	325,638
Due from related parties – net	12,949	0	12,949
Prepaid expenses and other assets	36,884	0	36,884
Statutory deposit	0	40,000	40,000
Accrued income on statutory deposit	0	3,134	3,134
Total	**989,643**	**43,134**	**1,032,777**
Financial Liabilities			
Accrued and other liabilities	72,385	0	72,385
Reinsurers' balances payable	13,874	0	13,874
Outstanding gross claims	87,531	0	87,531
Gross claims incurred but not reported	160,342	0	160,342
Due to related parties	566	0	566
Accounts payable	43,864	0	43,864
Withholding tax provision	3,863	0	3,863
Regulators’ levies provision	1,655	0	1,655
End-of-service indemnities	0	10,207	10,207
Zakat	39,216	0	39,216
Income tax	1,500	0	1,500
Accrued commission income payable to SAMA	0	3,134	3,134
Total	**424,796**	**13,341**	**438,137**

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35. COMMITMENTS AND CONTINGENCIES

At 31 December 2022 Letters of Guarantee were outstanding in favour of various beneficiaries as follows:

	2022	2021
Medical provider / Workshop	801	1,000
Capital commitments for systems software	295	1,884
Total	**1,096**	**2,884**

The Company is subject to legal proceedings in the ordinary course of business.

At 31 December 2022 there were no other commitments, contingencies or outstanding legal proceedings or disputes of a material nature.

36. END-OF-SERVICE INDEMNITIES

The Company has carried out actuarial valuation of its end-of-service benefits obligation as at 31 December 2022. The employees' end-of-service benefits recognized in the statement of income, statement of comprehensive income and in the statement of financial position.

The amounts recognized in the statement of financial position.

	2022	2021
Present value of end-of-service benefits	**12,165**	**10,207**
Movement in present value of end-of-service benefits		
End-of-service benefits at the beginning of year	10,207	7,917
Acquired through business combination	3,462	0
Current service and interest cost	2,734	1,066
Actuarial (gain) / loss on end-of-service indemnities	(1,342)	2,760
End-of-service indemnities paid	(2,896)	(1,536)
Present value of end-of-service benefits at the end of year	**12,165**	**10,207**

Principal actuarial assumptions
The following range of significant actuarial assumptions was made by the Company for the valuation of end-of-service benefits

	2022	2021
Discount rate	4%	8%
Rate of salary increase	3.5%	3.5%
Normal retirement age	60	60

Sensitivity analysis of actuarial assumptions
The impact of changes in sensitivities on present value of end-of-service benefits is as follows:

	2022	2021
Valuation discount rate		
- Increase by 1%	(740)	(290)
- Decrease by 1%	840	318
Expected rate of increase in salary level across different age bands		
- Increase by 1%	941	418
- Decrease by 1%	(848)	(380)

37. SIGNIFICANT EVENT

Arabian Shield Cooperative Insurance Company (the "Company") announces the signing of a non-binding Memorandum of Understanding (the "MOU") with Alinma Tokio Marine Insurance Company on 19 Jumada Al-Ula 1444H corresponding to 13 December 2022G to evaluate a potential merger between the two companies. Both companies will conduct operational, technical, financial, legal, and actuarial due diligence and engage in non-binding discussions on the terms and conditions of the potential merger.

The Company and Alinma Tokio Marine Co have agreed that, in the event of signing the binding merger agreement, securing the regulators' and shareholders' general assembly approvals, the potential merger will be consummated on a share-for-share basis, with the surviving entity issuing new common shares to the shareholders of the merging entity, and assuming all the rights and obligations of the merging entity.

The share-for-share exchange ratio between the shareholders of the Company and the shareholders of Alinma Tokio Marine Co ("Exchange Ratio") shall be determined after concluding (to the satisfaction of each Party) all necessary due diligence by the Company and Alinma Tokio Marine Co.

It is anticipated that the surviving entity will absorb all of the employees of merging entity, and there will be no enforced redundancies.

The proposed merger is subject to the completion of due diligence to the parties' satisfaction, agreement on final terms and conditions of the merger agreement, and the approval of the competent authorities and the general assemblies of the Company and Alinma Tokio Marine Co. The entry into the MOU does not mean that the proposed merger will be agreed between the two companies.

The Company appointed AlJazira Capital as its financial advisor in connection with the proposed merger with Alinma Tokio Marine Co.

38. COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

39. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Company's Board of Directors on 22 March 2023 (corresponding to 30th Shaban, 1444h).

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40. SUPPLEMENTARY INFORMATION

STATEMENTS OF FINANCIAL POSITION	2022 Insurance Operations	2022 Shareholders' Operations	2022 Total	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total
ASSETS						
Cash and cash equivalents	106,081	40,013	146,094	231,062	134,493	365,555
Short term fixed income deposits	227,815	115,000	342,815	0	0	0
Premiums and reinsurers' receivable – net	182,099	0	182,099	149,465	0	149,465
Reinsurers' share of unearned gross premiums	43,073	0	43,073	41,373	0	41,373
Reinsurers' share of outstanding gross claims	149,381	0	149,381	57,553	0	57,553
Reinsurers' share of gross claims incurred but not reported	63,670	0	63,670	41,599	0	41,599
Deferred policy acquisition costs	16,074	0	16,074	10,126	0	10,126
Deferred withholding tax	1,458	0	1,458	1,973	0	1,973
Deferred regulators' levies	0	0	0	2,199	0	2,199
Unit-Linked Investments	554,861	0	554,861	0	0	0
Investments	0	636,612	636,612	0	325,638	325,638
Due from insurance / shareholders' operations	93,749	(93,749)	0	14,590	(14,590)	0
Due from related parties – net	21,972	0	21,972	12,949	0	12,949
Prepaid expenses and other assets	24,698	10,558	35,256	34,518	2,366	36,884
Property and equipment – net	5,978	0	5,978	2,713	0	2,713
Intangible assets – net	12,267	31,444	43,711	10,667	0	10,667
Goodwill	0	364,948	364,948	0	46,794	46,794
Statutory deposit	0	63,852	63,852	0	40,000	40,000
Accrued income on statutory deposit	0	6,781	6,781	0	3,134	3,134
TOTAL ASSETS	**1,503,176**	**1,175,459**	**2,678,635**	**610,787**	**537,835**	**1,148,622**
LIABILITIES						
Accrued and other liabilities	79,863	3,660	83,523	69,873	2,512	72,385
Reinsurers' balances payable	40,887	0	40,887	13,874	0	13,874
Unearned gross premiums	270,374	0	270,374	189,910	0	189,910
Unearned reinsurance commission	8,601	0	8,601	8,792	0	8,792
Outstanding gross claims	230,080	0	230,080	87,531	0	87,531
Gross claims incurred but not reported	214,139	0	214,139	160,342	0	160,342
Premium deficiency reserve	13,525	0	13,525	11,250	0	11,250
Unit reserve	557,968	0	557,968	0	0	0
Other technical reserves	5,318	0	5,318	6,700	0	6,700
Due to related parties	1,994	0	1,994	566	0	566
Accounts payable	37,834	0	37,834	43,864	0	43,864
Withholding tax provision	2,952	0	2,952	3,863	0	3,863
Regulators' levies provision	0	0	0	1,655	0	1,655
End-of-service indemnities	12,165	0	12,165	10,207	0	10,207
Policyholders' surplus distribution payable	28,894	0	28,894	5,120	0	5,120
Zakat	0	49,895	49,895	0	39,216	39,216
Income tax	0	819	819	0	1,500	1,500
Accrued commission income payable to SAMA	0	6,781	6,781	0	3,134	3,134
TOTAL LIABILITIES	**1,504,594**	**61,155**	**1,565,749**	**613,547**	**46,362**	**659,909**
EQUITY						
Share capital	0	638,525	638,525	0	400,000	400,000
Share premium	0	355,879	355,879	0	0	0
Statutory reserve	0	31,681	31,681	0	26,097	26,097
Retained earnings	0	86,722	86,722	0	64,386	64,386
Fair value reserve gain on investments	0	1,497	1,497	0	990	990
TOTAL SHAREHOLDERS' EQUITY	**0**	**1,114,304**	**1,114,304**	**0**	**491,473**	**491,473**
Re-measurement reserve for end-of-service indemnities	(1,418)	0	(1,418)	(2,760)	0	(2,760)
TOTAL EQUITY	**(1,418)**	**1,114,304**	**1,112,886**	**(2,760)**	**491,473**	**488,713**
TOTAL LIABILITIES AND EQUITY	**1,503,176**	**1,175,459**	**2,678,635**	**610,787**	**537,835**	**1,148,622**

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STATEMENTS OF INCOME	2022 Insurance Operations	2022 Shareholders' Operations	2022 Total	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total
REVENUES						
Gross premiums written	1,106,285	0	1,106,285	558,166	0	558,166
Reinsurance premiums ceded – local	(115,118)	0	(115,118)	(20,094)	0	(20,094)
Reinsurance premiums ceded – foreign	(229,963)	0	(229,963)	(143,482)	0	(143,482)
Excess of loss expenses	(4,136)	0	(4,136)	(3,780)	0	(3,780)
Net premiums written	**757,068**	**0**	**757,068**	**390,810**	**0**	**390,810**
Change in unearned gross premiums	(78,379)	0	(78,379)	543	0	543
Change in reinsurers' share of unearned gross premiums	316	0	316	(30,159)	0	(30,159)
Net premiums earned	**679,005**	**0**	**679,005**	**361,194**	**0**	**361,194**
Reinsurance commissions	35,070	0	35,070	35,947	0	35,947
Other underwriting income	29,300	0	29,300	14,580	0	14,580
TOTAL REVENUES	**743,375**	**0**	**743,375**	**411,721**	**0**	**411,721**
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(596,118)	0	(596,118)	(378,971)	0	(378,971)
Reinsurers' share of gross claims paid	173,713	0	173,713	97,372	0	97,372
Net claims paid	**(422,405)**	**0**	**(422,405)**	**(281,599)**	**0**	**(281,599)**
Changes in outstanding gross claims	(58,577)	0	(58,577)	39,403	0	39,403
Changes in reinsurers' share of outstanding gross claims	34,027	0	34,027	(39,287)	0	(39,287)
Changes in gross IBNR	(21,079)	0	(21,079)	10,542	0	10,542
Changes in reinsurers' share of gross IBNR	(3,680)	0	(3,680)	(13,032)	0	(13,032)
Net claims incurred	**(471,714)**	**0**	**(471,714)**	**(283,973)**	**0**	**(283,973)**
Investible contribution, Net	(114,273)	0	(114,273)	0	0	0
Premium deficiency reserve	(2,275)	0	(2,275)	4,250	0	4,250
Other technical reserves	1,819	0	1,819	6,300	0	6,300
Policy acquisition costs	(26,060)	0	(26,060)	(15,295)	0	(15,295)
Withholding tax	(8,090)	0	(8,090)	(8,350)	0	(8,350)
Regulators' levies	(2,198)	0	(2,198)	(3,824)	0	(3,824)
Other underwriting expenses	(23,076)	0	(23,076)	(28,840)	0	(28,840)
TOTAL UNDERWRITING COSTS AND EXPENSES	**(645,867)**	**0**	**(645,867)**	**(329,732)**	**0**	**(329,732)**
NET UNDERWRITING INCOME	**97,508**	**0**	**97,508**	**81,989**	**0**	**81,989**
OTHER OPERATING INCOME / (EXPENSES)						
Reversal of / (allowance for) doubtful debts	2,866	0	2,866	(5,878)	0	(5,878)
General and administrative expenses	(74,284)	(8,209)	(82,493)	(46,584)	(10,414)	(56,998)
Depreciation and amortisation	(6,085)	(2,800)	(8,885)	(4,382)	0	(4,382)
Commission income on deposits	8,724	2,505	11,229	3,547	1,855	5,402
Commission income on sukuk	0	6,808	6,808	0	4,531	4,531
Dividend income	0	10,293	10,293	0	1,632	1,632
Unrealised gain on FVIS investments	0	6,674	6,674	0	0	0
Realised gain on FVIS investments	81	75	156	0	0	0
Realised gains on investments	0	5,276	5,276	0	13,180	13,180
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**(68,698)**	**20,622**	**(48,076)**	**(53,297)**	**10,784**	**(42,513)**
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	**28,810**	**20,622**	**49,432**	**28,692**	**10,784**	**39,476**
Attributable to Insurance Operations	(25,929)	25,929	0	(25,823)	25,823	0
INCOME BEFORE ZAKAT AND INCOME TAX	**2,881**	**46,551**	**49,432**	**2,869**	**36,607**	**39,476**
Zakat charge	**0**	(18,492)	(18,492)	**0**	(9,713)	(9,713)
Income tax charge	0	(139)	(139)	0	(741)	(741)
INCOME AFTER ZAKAT AND INCOME TAX	**2,881**	**27,920**	**30,801**	**2,869**	**26,153**	**29,022**
Basic and diluted SAR earnings per share		**0.44**			**0.65**	

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	2022			2021		
STATEMENTS OF COMPREHENSIVE INCOME	**Insurance Operations**	**Shareholders' Operations**	**Total**	**Insurance Operations**	**Shareholders' Operations**	**Total**
Income after zakat and income tax	2,881	27,920	30,801	2,869	26,153	29,022
Other comprehensive income / (loss)						
Items that will not be reclassified to statements of income in subsequent periods:						
Actuarial gain / (loss) on end-of-service indemnities	1,342	0	1,342	(2,760)	0	(2,760)
Items that are or may be reclassified to statements of income in subsequent years:						
Available for sale investments:						
Net change in fair value of investments	0	5,783	5,783	0	16,596	16,596
Realised gains transferred to statement of income	0	(5,276)	(5,276)	0	(13,180)	(13,180)
Net change in unrealised fair value of investments	**0**	**507**	**507**	**0**	**3,416**	**3,416**
COMPREHENSIVE INCOME FOR THE YEAR	**4,223**	**28,427**	**32,650**	**109**	**29,569**	**29,678**

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STATEMENTS OF CASH FLOWS	2022 Insurance Operations	2022 Shareholders' Operations	2022 Total	2021 Insurance Operations	2021 Shareholders' Operations	2021 Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before zakat and income tax	**2,881**	**46,551**	**49,432**	**2,869**	**36,607**	**39,476**
Adjustments for non-cash items:						
Depreciation of property and equipment	2,347	0	2,347	1,443	0	1,443
Amortisation of intangible assets	3,739	2,800	6,539	2,939	0	2,939
Gain on disposal of property and equipment	(85)	0	(85)	(2)	0	(2)
(Reversal of) / allowance for doubtful debts	(2,866)	0	(2,866)	5,878	0	5,878
Provision for withholding tax	7,575	0	7,575	6,830	0	6,830
Provision for regulators' levies	(1)	0	(1)	4,259	0	4,259
Provision for end-of-service indemnities	2,734	0	2,734	1,066	0	1,066
Unrealised gain on Unit-linked investments	40,541	0	40,541	0	0	0
Realised gain on FVIS investments	(81)	0	(81)	0	0	0
Unrealised gain on FVIS investments	0	(6,674)	(6,674)	0	0	0
Realised gains on disposal of investments	0	(5,276)	(5,276)	0	(13,180)	(13,180)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	3,923	0	3,923	(86,100)	0	(86,100)
Reinsurers' share of unearned gross premiums	(316)	0	(316)	30,159	0	30,159
Reinsurers' share of outstanding gross claims	(34,027)	0	(34,027)	39,287	0	39,287
Reinsurers' share of gross claims incurred but not reported	3,680	0	3,680	13,032	0	13,032
Deferred excess of loss expenses	0	0	0	0	0	0
Deferred policy acquisition costs	(5,948)	0	(5,948)	(3,094)	0	(3,094)
Deferred third party administrator expenses	0	0	0	(4,007)	0	(4,007)
Deferred withholding tax	515	0	515	1,520	0	1,520
Deferred regulators' levies	2,199	0	2,199	(435)	0	(435)
Unit-linked investments	80,730	0	80,730	0	0	0
Due from related parties	(11,143)	0	(11,143)	(5,532)	0	(5,532)
Prepaid expenses and other assets	18,687	(3,642)	15,045	(143)	6,731	6,588
Accounts payable	(6,476)	0	(6,476)	2,310	0	2,310
Accrued and other liabilities	(20,258)	(417)	(20,675)	13,093	(446)	12,647
Reinsurers' balances payable	(10,276)	0	(10,276)	(4,952)	0	(4,952)
Unearned gross premiums	78,379	0	78,379	(543)	0	(543)
Unearned reinsurance commission	(191)	0	(191)	(5,356)	0	(5,356)
Outstanding gross claims	58,577	0	58,577	(39,403)	0	(39,403)
Gross claims incurred but not reported	21,079	0	21,079	(10,542)	0	(10,542)
Premium deficiency reserve	2,275	0	2,275	(4,250)	0	(4,250)
Unit reserves	(133,369)	0	(133,369)	0	0	0
Other technical reserves	(1,819)	0	(1,819)	(6,300)	0	(6,300)
Due to related parties	1,199	0	1,199	(28,829)	0	(28,829)
Due from insurance / shareholders' operations	(62,630)	62,630	0	(25,999)	25,999	0
Payments:						
End-of-service indemnities paid	(2,896)	0	(2,896)	(1,536)	0	(1,536)
Withholding tax paid	(11,265)	0	(11,265)	(12,528)	0	(12,528)
Regulators' levies paid	(1,654)	0	(1,654)	(5,548)	0	(5,548)
Surplus paid to policyholders	(1,677)	0	(1,677)	(2,319)	0	(2,319)
Zakat paid	0	(17,741)	(17,741)	0	(6,980)	(6,980)
Income tax paid	0	(820)	(820)	0	(993)	(993)
Net cash generated from / (used in) operating activities	**24,082**	**77,411**	**101,493**	**(122,733)**	**47,738**	**(74,995)**

ALL AMOUNTS IN SAR '000

	2022			2021		
STATEMENTS OF CASH FLOWS (Continued)	**Insurance Operations**	**Shareholders' Operations**	**Total**	**Insurance Operations**	**Shareholders' Operations**	**Total**
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of short term fixed income deposits	(227,815)	(115,000)	(342,815)	0	0	0
Additions of investments	0	(101,828)	(101,828)	0	(215,000)	(215,000)
Proceeds from disposal of investments	21,971	68,776	90,747	0	152,513	152,513
Additions of property and equipment	(2,260)	0	(2,260)	(1,107)	0	(1,107)
Proceeds from disposal of property and equipment	87	0	87	2	0	2
Additions of intangible assets	(4,509)	0	(4,509)	(3,603)	0	(3,603)
Cash & cash equivalent acquired through business combination	63,463	13	63,476	0	0	0
Increase in Statutory deposit	0	(23,852)	(23,852)	0	(10,000)	(10,000)
Net cash used in investing activities	**(149,063)**	**(171,891)**	**(320,954)**	**(4,708)**	**(72,487)**	**(77,195)**

Net change in cash and cash equivalents	(124,981)	(94,480)	(219,461)	(127,441)	(24,749)	(152,190)
Cash and cash equivalents at start of year	231,062	134,493	365,555	358,503	159,242	517,745
Cash and cash equivalents at end of year	**106,081**	**40,013**	**146,094**	**231,062**	**134,493**	**365,555**
NON-CASH INFORMATION						
Net change in unrealised fair value of investments	0	507	507	0	3,416	3,416
Actuarial gain / (loss) on end-of-service indemnities	1,342	0	1,342	(2,760)	0	(2,760)
Bonus shares issued	0	0	0	0	100,000	100,000