(2) Voting on the Financial Statements for the fiscal year ended on 31 December 2021.

THE COMPANY FOR COOPERATIVE INSURANCE

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

pwc

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

Headquarters in Riyadh

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE COMPANY FOR COOPERATIVE INSURANCE (A SAUDI JOINT STOCK COMPANY)

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How the matter was addressed in our audit
Valuation of ultimate claims liabilities arising from insurance contracts	
As at 31 December 2021, gross outstanding claims including incurred but not reported claims reserve (IBNR) amounted to SAR 4.2 billion as reported in note 11 of the consolidated financial statements.	• We assessed the design and implementation and tested the operating effectiveness of key controls over management's processes for claims processing and payment, including controls over the completeness and accuracy of the claims estimate recorded.

Key audit matter	How the matter was addressed in our audit
The valuation of the ultimate liability arising from claims made under insurance contracts is the key judgemental area for management given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. The Company uses an external actuary ("the management's expert") to provide them with the estimate of these claims. A range of methods were used by the management's expert to determine these claims. This requires significant judgements relating to factors and assumptions such as inflation, claims development patterns and regulatory requirements. Due to significance of amount involved, the exercise of significant judgment by management in the process for determination of ultimate claims liabilities, together with uncertainties due to COVID-19, we have determined it to be a key audit matter. *Refer to note 11 which discloses the estimated liability arising from claims under insurance contracts and notes 2(f)(i), 3(d) and 3(e) which disclose accounting policies and estimates for claims liabilities.*	• We tested on a sample basis the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • We engaged our actuarial expert to assess the methodology and assumptions used by management in determining the reserve for incurred but not reported claims. We also reviewed the actuarial reserve report issued by the Company's appointed actuary. • We evaluated the completeness and accuracy of data used by the management in their calculation of ultimate claims liabilities. • We assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information consists of the information included in the annual report but does not include the consolidated 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 consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e. the Board of Directors of the Company is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern;

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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.

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

PricewaterhouseCoopers
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Bader I. Benmohareb
Certified Public Accountant
Registration No. 471

Date: 17 March 2022
Corresponding to: 14 Sha`ban 1443H

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P.O. Box 92876
Riyadh 11663
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Khalil Ibrahim Al Sedais
Certified Public Accountant
Registration No. 371

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Notes	**December 31, 2021**	December 31, 2020
		SAR'000	
ASSETS			
Statutory deposit	14	**125,000**	125,000
Accrued income on statutory deposit		**3,050**	2,774
Property, equipment and right-of-use assets, net	4	**236,970**	191,851
Intangible assets	5	**16,627**	7,708
Investment properties	6	**60,850**	62,138
Investments in equity accounted investments	7	**89,556**	85,319
Prepaid expenses and other assets	10	**583,726**	776,263
Mudaraba / murabaha deposits	9	**3,780,598**	3,134,932
Deferred excess of loss premiums		**7,501**	12,723
Deferred policy acquisition costs	11	**127,951**	134,724
Reinsurers' share of incurred but not reported claims reserve	11	**329,243**	289,784
Reinsurers' share of gross outstanding claims	11	**1,762,324**	1,962,570
Reinsurers' share of gross unearned premiums	11	**717,382**	683,698
Available for sale investments	8	**2,370,943**	3,018,566
Receivables, net	13	**3,222,001**	3,480,553
Accrued investment income	28	**11,029**	2,397
Cash and cash equivalents	15	**1,188,266**	445,794
TOTAL ASSETS		**14,633,017**	14,416,794
LIABILITIES			
Return payable on statutory deposit		**3,050**	2,774
Surplus distribution payable	16	**258,163**	252,086
Defined benefits obligation	18	**142,110**	134,990
Short-term borrowings	22	**-**	401,998
Zakat payable	20	**415,023**	346,224
Reserve for takaful activities		**3,372**	3,544
Incurred but not reported claims reserve	11	**1,770,241**	1,549,350
Gross outstanding claims	11	**2,400,729**	2,516,652
Premium deficiency reserve	11	**30,277**	52,401
Unearned commission income	11	**42,289**	37,538
Claims payable, accrued expenses and other liabilities	17	**985,395**	1,729,527
Gross unearned premiums	11	**5,031,265**	4,319,378
Reinsurers' balances payable		**503,409**	254,559
Dividends payable		**8,630**	6,411
TOTAL LIABILITIES		**11,593,953**	11,607,432
EQUITY			
Share capital	21	**1,250,000**	1,250,000
Statutory reserve	23	**1,197,495**	1,144,183
Fair value reserve for investments	7,8	**152,513**	89,536
Remeasurement of defined benefits obligation	18	**(20,096)**	(20,261)
Retained earnings		**459,152**	345,904
TOTAL EQUITY		**3,039,064**	2,809,362
TOTAL LIABILITIES AND EQUITY		**14,633,017**	14,416,794
CONTINGENT LIABILITIES	36		

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
		SAR'000	
REVENUES			
Gross premiums written	11	**10,218,606**	9,061,768
Reinsurance ceded – local	11	**(78,906)**	(95,769)
Reinsurance ceded – international	11	**(1,515,582)**	(1,382,577)
Excess of loss premiums		**(20,719)**	(22,184)
Fee income from takaful		**4,466**	6,667
Net premiums written		**8,607,865**	7,567,905
Changes in gross unearned premiums		**(711,887)**	(493,259)
Changes in reinsurers' share of gross unearned premiums		**33,684**	(32,261)
Net premiums earned		**7,929,662**	7,042,385
Reinsurance commissions	11	**132,294**	116,726
Other underwriting income		**6,269**	6,889
TOTAL REVENUES		**8,068,225**	7,166,000
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		**6,750,880**	6,876,704
Expenses incurred related to claims		**13,162**	57,736
Reinsurers' share of claims paid		**(347,397)**	(1,127,381)
Net claims and other benefits paid	11	**6,416,645**	5,807,059
Changes in gross outstanding claims		**(115,923)**	(1,168,239)
Changes in reinsurance share of gross outstanding claims		**200,246**	1,137,876
Changes in incurred but not reported claims reserve		**220,891**	(376,234)
Changes in reinsurance share of incurred but not reported claims		**(39,459)**	37,940
Changes in premium deficiency reserve		**(22,124)**	49,571
Net claims and other benefits incurred		**6,660,276**	5,487,973
Changes in reserve for takaful activities		**(172)**	(1,462)
Policy acquisition costs	11	**350,263**	390,387
Other underwriting expenses		**137,541**	129,953
Insurance share distribution	24	**62,861**	142,535
TOTAL UNDERWRITING COSTS AND EXPENSES		**7,210,769**	6,149,386
Net underwriting income		**857,456**	1,016,614
OTHER OPERATING (EXPENSES) / INCOME			
General and administrative expenses	26	**(746,268)**	(628,162)
Allowance for doubtful debts	13	**(39,891)**	(49,199)
Investment income, net	25	**284,185**	208,792
Impairment of available for sale investments		**-**	(4,812)
Other (expenses) / income, net		**(1,616)**	6,792
TOTAL OTHER OPERATING EXPENSES		**(503,590)**	(466,589)
Net operating income		**353,866**	550,025
Share of profit from equity accounted investments, net	7	**18,602**	15,044
Net income for the year before attribution and zakat		**372,468**	565,069
Net income for the year attributed to the insurance operations		**(22,330)**	(50,610)
Net income for the year attributable to the shareholders before zakat		**350,138**	514,459
Zakat charge for the year	20	**(83,578)**	(121,129)
Net income for the year attributable to the shareholders after zakat		**266,560**	393,330
Earnings per share			
Basic and diluted earnings per share (in SAR)	27	**2.13**	3.15
Weighted average number of shares in issue		**125,000,000**	125,000,000

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
		SAR'000	
Net income for the year attributable to the shareholders after zakat		**266,560**	393,330
Other comprehensive income:			
Not to be recycled back to the consolidated statement of income in subsequent years:			
Re-measurement of defined benefits obligation	18	**165**	(5,721)
To be recycled back to the consolidated statement of income in subsequent years:			
Available for sale investments:			
- Net change in fair value	8	**205,609**	(27,884)
- Net amounts transferred to the consolidated statement of income	8	**(141,957)**	(49,298)
Share of other comprehensive loss of investment in equity accounted investments	7	**(675)**	(754)
Total comprehensive income for the year		**329,702**	309,673

Abdulaziz A. AlKhamis	**Ammr K. Kurdi**	**Abdulaziz H. Al Boug**
Board Director	Chief Financial Officer	Chief Executive Officer

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	Share capital	Statutory reserve	Fair value reserve for investments	Re-measurement of defined benefits obligation	Retained earnings	Total
		SAR'000					
Balance at January 1, 2020		1,250,000	1,065,517	167,472	(14,540)	31,240	2,499,689
Total comprehensive income for the year							
Net income for the year attributable to the shareholders after zakat		-	-	-	-	393,330	393,330
Actuarial losses on defined benefits obligation	18	-	-	-	(5,721)	-	(5,721)
Changes in fair value of available-for-sale investments	8	-	-	(27,884)	-	-	(27,884)
Amount transferred to the consolidated statement of income	8	-	-	(49,298)	-	-	(49,298)
Share of other comprehensive income of investments in equity accounted investments	7	-	-	(754)	-	-	(754)
Total comprehensive income for the year attributable to shareholders		-	-	(77,936)	(5,721)	393,330	309,673
Transfer to statutory reserve		-	78,666	-	-	(78,666)	-
Balance at December 31, 2020		1,250,000	1,144,183	89,536	(20,261)	345,904	2,809,362
Balance at January 1, 2021		**1,250,000**	**1,144,183**	**89,536**	**(20,261)**	**345,904**	**2,809,362**
Total comprehensive income for the year							
Net income for the year attributable to the shareholders after zakat		**-**	**-**	**-**	**-**	**266,560**	**266,560**
Actuarial gain on defined benefits obligation	18	**-**	**-**	**-**	**165**	**-**	**165**
Changes in fair value of available-for-sale investments	8	**-**	**-**	**205,609**	**-**	**-**	**205,609**
Amount transferred to the consolidated statement of income	8	**-**	**-**	**(141,957)**	**-**	**-**	**(141,957)**
Share of other comprehensive income of investments in equity accounted investments	7	**-**	**-**	**(675)**	**-**	**-**	**(675)**
Total comprehensive income for the year attributable to shareholders		**-**	**-**	**62,977**	**165**	**266,560**	**329,702**
Dividends	21	**-**	**-**	**-**	**-**	**(100,000)**	**(100,000)**
Transfer to statutory reserve		**-**	**53,312**	**-**	**-**	**(53,312)**	**-**
Balance at December 31, 2021		**1,250,000**	**1,197,495**	**152,513**	**(20,096)**	**459,152**	**3,039,064**

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	**2021**	2020
		SAR'000	
Operating activities:			
Net income for the year attributable to the shareholders before zakat		**350,138**	514,459
Adjustments for non-cash items:			
Net income attributed to the insurance operations		**22,330**	50,610
Depreciation	4,6	**27,299**	29,445
Amortisation of intangible assets	5	**5,019**	1,057
Allowance for doubtful debts	13	**39,891**	49,199
Dividend and commission income		**(146,047)**	(163,302)
Gain on sale of investments		**(141,957)**	(54,110)
Impairment of available-for-sale investments		**-**	4,812
Finance cost		**4,374**	1,998
Share of profit from investments in equity accounted investments, net	7	**(18,602)**	(15,044)
Provision for defined benefits obligation	18	**20,333**	14,255
		162,778	433,379
Changes in operating assets and liabilities:			
Prepaid expenses and others assets		**190,104**	(532,351)
Deferred excess of loss premiums		**5,222**	(5,009)
Deferred policy acquisition costs		**6,773**	(13,879)
Reinsurers' share of gross outstanding claims		**200,246**	1,137,876
Reinsurers' share of incurred but not reported claims reserve		**(39,459)**	37,940
Reinsurers' share of gross unearned premiums		**(33,684)**	32,261
Receivables, net		**218,661**	(2,033,858)
Reinsurers' balances payable		**248,850**	(269,261)
Gross unearned premiums		**711,887**	493,259
Unearned commission income		**4,751**	(5,785)
Gross outstanding claims		**(115,923)**	(1,168,239)
Incurred but not reported claims reserve		**220,891**	(376,234)
Premium deficiency reserve		**(22,124)**	49,571
Reserve for takaful activities		**(172)**	(1,462)
Claims payable, accrued expenses and other liabilities		**(791,281)**	727,848
		967,520	(1,493,944)
Zakat paid during the year		**(14,779)**	(30,459)
Surplus paid to policyholders		**(16,253)**	(6,110)
Defined benefits obligation paid	18	**(13,048)**	(14,466)
Net cash flows generated from / (used in) operating activities		**923,440**	(1,544,979)
Investing activities:			
Proceeds from sale of available-for-sale investments	8	**1,726,137**	2,180,756
Purchase of available-for-sale investments	8	**(872,905)**	(2,470,208)
Proceeds from maturity of mudaraba / murabaha deposits	9	**7,221,957**	10,697,416
Placement in mudaraba / murabaha deposits	9	**(7,867,623)**	(10,292,972)
Dividend and commission income received		**137,415**	167,238
Dividends received from investments in equity accounted investments	7	**13,690**	20,241
Purchase of property and equipment	4	**(14,780)**	(13,454)
Purchase of intangible assets	5	**(13,938)**	(4,794)
Net cash flows generated from investing activities		**329,953**	284,223
Financing activities:			
Proceeds from Short-term borrowings		**-**	400,000
Repayments of Short-term borrowings		**(400,000)**	-
Dividends paid		**(97,781)**	-
Finance cost paid		**(5,746)**	-
Repayment of lease liabilities		**(7,394)**	-
Net cash flows (used in) / generated from financing activities		**(510,921)**	400,000
Net change in cash and cash equivalents during the year		**742,472**	(860,756)
Cash and cash equivalents, beginning of the year	15	**445,794**	1,306,550
Cash and cash equivalents, end of the year	15	**1,188,266**	445,794

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
		SAR'000	
Non-cash supplemental information:			
Changes in fair value for available-for-sale investments	8	**63,652**	(77,182)
Share of other comprehensive income of equity accounted investments	7	**(675)**	(754)
Gain / (loss) on re-measurement of defined benefits obligation	18	**165**	(5,721)
Recognition of right-of-use assets	4	**(56,350)**	-
Recognition of lease liabilities	17	**53,917**	-
Transfer to right-of-use assets from prepaid expenses		**2,433**	-
Reclassification to available-for-sale investments from equity accounted investments	7,8	**-**	10,250

Abdulaziz A. AlKhamis
Board Director

Ammr K. Kurdi
Chief Financial Officer

Abdulaziz H. Al Boug
Chief Executive Officer

The accompanying notes 1 to 40 form an integral part of these consolidated financial statements.

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumada Al-Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on Thumamah Road (At Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful, property and casualty insurance.

On July 31, 2003 corresponding to Jumada Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Central Bank (formerly Saudi Arabian Monetary Authority) (SAMA) as the principal authority responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The Company has the following subsidiary and associates.

Name of the Subsidiary / Associates	*Registration No.*	*Registration date*	*Ownership interest*	*Financial year end*	*Principal Activities*
Subsidiary					
Teejan Al- Khaleej	1010644057	21 July 2020	100%	December 31	Developing technology based solutions and extending consultancy services for the insurance and healthcare businesses. The company has commenced its commercial operations in August 2020. The first financial statements of the company will be prepared for the year ended 31 December 2021.
Associates					
United Insurance Company B.S.C.	17337-1	12 May 1986	50%	December 31	Insurance for all motor vehicles which travel through the King Fahad Causeway in accordance with the Bahrain Insurance Company Law.
Waseel Application Service Provider Limited	1010186558	15 April 2003	45%	December 31	Internet based connectivity, information services, and B2B e-commerce capabilities for the healthcare insurance market.

These consolidated financial statements comprise the Company and its subsidiary (together referred to as the 'Group').

2. BASIS OF PREPARATION

a) Statement of compliance

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

The Company's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as non-current: statutory deposit, accrued income on statutory deposit, property and equipment and right of use assets, intangible assets, investment properties, investments in equity accounted investments, defined benefits obligation and return payable on statutory deposit. All other financial statement line items would generally be classified as current.

The Company presents its consolidated statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the consolidated financial statements accordingly (Note 32). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows of the insurance operations and shareholders operations which are presented in Note 32 of the consolidated financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive income or losses of the respective operations.

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

b) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis except for the measurement at fair value of available-for-sale investments, investment in equity accounted investments which is accounted for under the equity method and defined benefits obligation based on actuarial valuation techniques.

c) Functional and presentation currency

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

d) Fiscal year

The Company follows a fiscal year ending December 31.

e) Seasonality of operations

Other than normal seasonality in Medical Insurance Business in the Kingdom of Saudi Arabia, there are no seasonal changes that may affect insurance operations of the Company.

2. BASIS OF PREPARATION (continued)

f) Critical accounting judgments, estimates and assumptions

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

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

In preparing these consolidated financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020. 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.

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate given the level of subjectivity inherent in estimating the impact of claim events that have occurred and incurred but not reported for which the ultimate outcome remains uncertain. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

The Company has appointed a qualified actuary who supports in reviewing and providing recommendation with regards to the expected ultimate claims and the associated claims reserves. The Company booked reserves following the recommendation of the appointed actuary who is currently external and independent from the Company. A range of methods were used by the appointed actuary to determine these claims. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary had also used a segmentation approach including analysing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

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

ii) Impairment of available-for-sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost. The determination of what is significant or prolonged requires judgment. For equity and mutual funds, a period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per the Company's policy. In making this judgment, the Company also evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

iii) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

2. BASIS OF PREPARATION (continued)

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

iv) Fair value of financial instruments

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

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Refer fair value of financial instruments disclosure in note 30.

v) Impact of Covid-19 and Council of Cooperative Health Insurance (“CCHI”) Article 11 on technical reserves

- On 11 March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“Covid-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak had also affected the GCC region including the Kingdom of Saudi Arabia. Governments all globally took steps to contain the spread of the virus. Saudi Arabia in particular had implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

- The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies experienced multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date. Moreover, beginning October 17, 2021, social distancing requirements have been relaxed.

- The major impact of Covid-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management’s assessment, management believes that the Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company experienced a decline in medical reported claims (mainly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company experienced an increase in claims which was in line with the expectations of the Company’s management regarding delayed treatment.

CCHI issued a Circular 895, dated December 17, 2020 regarding the procedures, protocols, and prices relating to the enforcement of Article 11. Following these procedures, Government facilities are now able to bill insurance companies for the claims incurred for some elements of their insured population. As instructed by the CCHI, the new protocols and procedures cover all new and renewing policies incepting from January 1, 2021. Moreover, this also covers all emergency cases for all in-force policies as of January 1, 2021.

2. BASIS OF PREPARATION (continued)

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

Motor technical reserves

In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated May 8, 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by a further two months, as well as, providing a two-month additional coverage for all new retail motor policies written within one month of that circular.

Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in existing motor policies as new policies and record a premium deficiency reserve, if any, based on the expected claims for the extended two-months period. The Company's actuary has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for motor line of business and no additional liability was recorded as premium deficiency reserve as of December 31, 2021.

For new policies written as per the above circular, the premium is earned over the period of coverage i.e. 14 months as per the Company's accounting policy. The extended policies have expired during the third quarter of 2021 and therefore there is no subsequent impact of the two-month extension on the performance of the Motor line of business going forward.

Other financial assets

To cater for any potential impact the Covid-19 pandemic may have had on the financial assets, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets have been impaired. For debt financial assets, these include assessment factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified as available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost basis.

Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the year ended December 31, 2021. The Company's management continues to monitor the situation closely.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and risk management policies adopted in the preparation of these consolidated financial statements are consistent with the Company's audited consolidated financial statements for the year ended December 31, 2020, except for the adoption of the amendments to existing standards which has had no material impact on the consolidated financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company:

Standard / Amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates with alternative benchmark rates.	Annual periods beginning on or after 1 January 2021

The application of above standards does not have any impact on the consolidated financial statements of the Group for the year ended 31 December 2021.

b) Standards issued but not yet effective

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

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

b) Standards issued but not yet effective (Continued)

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

IFRS 17 – Insurance Contracts

Overview
This standard has been published on May 18, 2017, and amended on June 25, 2020. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance Contracts.

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

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

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

Measurement
In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2005, IFRS 17 provides the following different measurement models:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued but not yet effective (Continued)

The **General Measurement Model (GMM)** is based on the following “building blocks”:

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

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

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognised in statement of income.

The effect of changes in discount rates will be reported in either statement of income or statement of comprehensive income, determined by an accounting policy choice.

The **Variable Fee Approach** (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, the CSM is also adjusted for:
i. the entity’s share of the changes in the fair value of underlying items and
ii. the effect of changes in the time value of money and in financial risks not relating to the underlying items.

In addition, a simplified **Premium Allocation Approach** (PAA) is permitted for the measurement of the liability for remaining coverage if it provides a measurement that is not materially different from the General Measurement 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 Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

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

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

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

Impact
The Company has performed an operational gap assessment which has focused on the impact of IFRS 17 across data, systems, processes and people. The Company is currently assessing the impact of the application and implementation of IFRS 17 and in the process of applying applicable requirements. As of the date of the publication of these consolidated financial statements, the financial impact of adopting the standard has yet to be fully assessed by the Company. The key areas identified to date are as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued not yet effective (Continued)

Impact Area	**Summary of Impact**
Financial Impact	Based on the assessment, the majority of Company's products (which provide cover for annual periods or less) are expected to be measured using the simplified approach (PAA) which requires less changes to the existing approach under IFRS 4. As a result, the financial impact of measuring contracts under IFRS 17 is not expected to be significant.
Data Impact	Where the GMM is applied to measure the Liability for Remaining Coverage, additional data to inform the assumptions made will be required to generate cash-flow models. Yield curves and other financial market information will also be required to determine suitable discount rates and the credit risk of reinsurers.
IT Systems	Cash-flow models will be required to cater for the calculation of the Liability for Remaining Coverage. In addition, model development will be required to allow for the calculation, updating and amortisation of the Contractual Service Margin. Amendments will also be required to the current chart of accounts and reporting disclosures.
Process Impact	A process will need to be established to assess the expected profitability of contracts issued, at the issuing date. Cost allocation processes will need refinement to ensure directly attributable costs are identified according to the requirements of IFRS 17 and are then used as part of cash flow projections. The financial statement closing process will also require changes to allow for more frequent interaction between the finance and actuarial teams.
Impact on RI Arrangements	IFRS 17 is not expected to significantly impact the structure of the reinsurance arrangements currently in place for the Company. It is however expected that further insight into the expected (and subsequently actual) performance of reinsurance treaties will be derived under IFRS 17.
Impact on Policies & Control Frameworks	Various decisions need to be made and policies drafted which cover the below (amongst other items): • Allocating directly attributable expenses • Onerous contract identification and measurement • Risk adjustment

The Company is currently assessing the full impact of the application and implementation of IFRS 17. As of the date of the publication of these consolidated financial statements, the Company has already submitted Phase 3 Implementation plan to SAMA, and first dry run results based on certain operational simplicity to SAMA. The Company is planning to perform another dry run using December 2021 data which will be submitted to SAMA during the year ending December 31, 2022.

IFRS 9 - "Financial instruments"

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

i) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost, at Fair Value through Other Comprehensive Income (FVOCI), or at Fair Value through Profit or Loss (FVPL). A financial asset is measured at amortised cost if both:

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

The financial asset is measured at FVOCI and realized gains or losses are recycled through profit or loss upon sale, if both of the following conditions are met:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards issued not yet effective (Continued)

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

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

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

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

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
    - the effective date of a new insurance contract standard; or
    - annual reporting periods beginning on or after January 1, 2023. On March 17, 2020, IASB decided to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 from January 1, 2021 to January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment as at December 31, 2015: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. The Company's total liabilities were 9,260 million and liabilities connected with insurance in the statement of financial position primarily included the liabilities arising in the course of writing insurance business and were valued at 8,307 million. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's consolidated financial statements.

The Company has retained the relevant accounting policies applied by the associate as follows:

- the associate (Waseel Application Services Provider Limited) applies IFRS 9 however the Company applies the temporary exemption from IFRS 9

The associate (United Insurance Company B.S.C.) has performed an assessment that the carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 were compared to the total carrying amount of all its liabilities which are predominately connected with insurance and accordingly eligible for the temporary exemption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Impact assessment

As at December 31, 2021, the Company held financial assets at amortized cost consisting of cash and cash equivalents and certain other receivables amounting to SAR 5,108 million (2020: SAR 3,711 million). The Company held available-for-sale investments amounting to SAR 2,371 million (2020: SAR 3,018 million). The Company expect to use the FVOCI classification for financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. Investment in funds and discretionary portfolio management – equity shares classified under available for sale investments amounting to SAR 1,073 million (2020: SAR 1,413 million) will be at FVPL under IFRS 9. As at December 31, 2021, debt securities are measured at fair value of SAR 1,073 million (2020: SAR 1,596 million). The Company financial assets have low credit risk as at December 31, 2021 and December 31, 2020. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed assessment.

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

c) Revenue Recognition

Recognition of premium and commission revenue

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

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

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

Reinsurance commissions directly relates to the reinsurance contracts are deferred and earned to the statement of income in the same order that commission revenue is recognised over the period of risk.

Fee income from takaful

Fee income from takaful is calculated in accordance with the terms of agreement and is accounted for on an accrual basis.

Investment income

Investment income on debt instruments are accounted for on an effective interest basis.

Dividend income

Dividend income on equity instruments classified under available-for-sale investments is recognised when the right to receive payment is established.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

d) Insurance contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and is charged to "Changes in gross outstanding claims" in the statement of income as incurred.

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

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

f) Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

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

g) Reinsurance

Reinsurance is distributed between treaty, facultative, stop loss and excess of loss reinsurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

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

h) Deferred policy acquisition costs

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

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

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

i) Liability adequacy test

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Receivables

Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. The carrying value of receivable is reviewed for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable, the impairment loss is recorded in "Other general and administrative expenses" in the consolidated statement of income. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in note 13 fall under the scope of IFRS 4 "Insurance contracts".

k) Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are neither classified as held for trading or held to maturity or loans and receivables, nor are designated at fair value through profit or loss. Such investments are initially recorded at cost, being the fair value of the consideration given including transaction costs directly attributable to the acquisition of the investment and subsequently measured at fair value. Cumulative changes in fair value of such investments are recognised in other comprehensive income in the consolidated statement of comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of income.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognised in the related statements of income as part of the net investment income / loss.

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

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values based on the latest available net assets value of the mutual fund. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics. The Company also considers appropriate assumptions for credit spread.

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

l) Investments in equity accounted investments

An associate is an entity in which the Company has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture.

Investments in equity accounted investments are carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

The consolidated statement of income reflects the Company's share of the results of operations of the associate, while the Company share of other comprehensive income / loss is included in the consolidated statement of other comprehensive income. Dividend from such investments is recognised when received and is credited to the investment account. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) De-recognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

n) Offsetting

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

o) Trade date accounting

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

p) Impairment of financial assets

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

Evidence of impairment may include:

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

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

- For equities and fund carried at fair value, impairment is the significant or prolong decline in the fair value of the financial asset.
- For debt securities and sukuks carried at amortised cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

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

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. However, 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 consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through consolidated statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated statement of income for the year. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

q) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to allocate the cost over estimated useful lives, as follows:

	Years
Buildings	40-48
Furniture and fixtures	10
Computer equipment	4
Vehicles	4

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

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

r) Intangible assets

Separately acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequent carried at cost less accumulated amortisation and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following period:

	Years
Software licenses	4

s) Investment property

Investment property include property (land or a building or part of a building or both) that is held by the Company to earn rentals or for capital appreciation purposes or both. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight line basis over the estimated useful lives of the assets. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

The cost of replacing a part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in consolidated statement of profit or loss and other comprehensive income as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Investment property (continued)

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

	Years
Buildings	38-40

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required. Transfers are made from investment properties to other operating assets categories only when there is a change in use evidenced by commencement of related activity such as development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

t) Mudaraba / murabaha deposits

Mudaraba / murabaha deposits, with original maturity of more than three months, having fixed or determinable payments are classified as loans and receivables. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at Amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. Any gain or loss on such investments is recognised in the consolidated statement of income when the investment is derecognised or impaired.

u) Leases

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets

Company applies cost model, and measure right of use (RoU) asset at cost;

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment in addition to the consideration for lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at Amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

v) Impairment of non-financial assets

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

An impairment loss is 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 flows (cash-generating units).

w) Employees’ benefits

Defined benefits obligation

The Company operates an end of service benefits plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period (as more fully defined in note 18). The benefits payments obligation is discharged as and when it falls due. Re-measurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in consolidated statement of comprehensive income.

Short term employee benefits

Short term employee benefits obligation are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or any other benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

x) Provisions, accrued expenses and other liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

y) Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charge to the consolidated statement of income.

z) Withholding tax

The Company withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law

aa) Value Added Tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers or

(b) delivery of services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

VAT that is not recoverable is charged to consolidated statement of income as expense

bb) Expenses

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are recorded in policy acquisition cost. All other operating expenses are classified as general and administrative expenses

cc) Dividend distribution

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

dd) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including murabaha deposits with less than three months maturity from the date of acquisition.

ee) Cash flow statement

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

ff) Foreign currencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

gg) Operating segments

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has nine reportable segments as follows:

- Medical - coverage for health insurance.
- Medical Umrah - coverage for health insurance for pilgrims.
- Motor insurance - coverage for motor insurance and for Manafeth third party liability insurance for foreign vehicles.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- General accidents insurance - coverage for pilgrims.
- Travel and COVID-19 – coverage of compulsory travel insurance in addition to some coverages related to COVID-19 for citizens traveling abroad.
- Protection & Savings.
- Teejan Al- Khaleej segment - reporting Teejan Al- Khaleej operations of the Company's subsidiary. Income earned from extending consulting services and facilities for insurance and healthcare business.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. No inter-segment transactions occurred during the year.

hh) Insurance shared agreement

As described in note 24, the shared agreements is an insurance pooling arrangement related to motor, medical and general accidents in KSA. This is an arrangement between different number of insurance companies in KSA where the Company leads in providing insurance coverages for motor vehicles entering in KSA (Manafeth) also medical and general accidents for the pilgrims entering KSA (Umrah) and travel COVID-19 (Travel and COVID-19). The entity does not act as an agent on behalf of the other insurers in agreement. Therefore, the Company accounts for Manafeth and Umrah shared agreements by recording the premiums under the gross written premium and claims under gross claims paid. The relevant assets and liabilities are also recorded as a separate operating segment along with the assets and liabilities of other operating segments. The distribution of share of income to other participating insurance companies is recorded as an expense in "Insurance share distribution" in the consolidated statement of income.

ii) Contingencies and commitments

Contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are not recognised in the consolidated financial statements. Contingent assets are not disclosed unless an inflow of economic benefits is probable.

Commitments represent binding agreements of the Company to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties.

jj) Statutory reserve

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

kk) Basis of consolidation

The consolidated financial statements comprise the financial statements of The Company for Cooperative Insurance and its subsidiary. The financial statements of the subsidiaries are prepared for the same reporting year as that of The Company for Cooperative Insurance, using consistent accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests (NCI):
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control:
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions eliminated on consolidation:
Intra-group balances and transactions, and any unrealized income and expenses and cash flows relating to transactions arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS, NET

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Right of use asset	Total 2021
				SAR'000			
Cost:							
January 1	**41,417**	**148,899**	**77,120**	**156,816**	**456**	**-**	**424,708**
Additions	**-**	**-**	**9,126**	**5,654**	**-**	**56,350**	**71,130**
December 31	**41,417**	**148,899**	**86,246**	**162,470**	**456**	**56,350**	**495,838**
Accumulated Depreciation:							
January 1	**-**	**24,160**	**69,213**	**139,028**	**456**	**-**	**232,857**
Charge for the year	**-**	**3,563**	**6,940**	**8,139**	**-**	**7,369**	**26,011**
December 31	**-**	**27,723**	**76,153**	**147,165**	**456**	**7,369**	**258,868**
Net book value							
December 31, 2021	**41,417**	**121,176**	**10,093**	**15,303**	**-**	**48,981**	**236,970**

	Land	Buildings	Furniture and fixtures	Computer equipment	Vehicles	Right of use asset	Total 2020
Cost:							
January 1	41,417	148,899	72,848	147,634	456	-	411,254
Additions	-	-	4,272	9,182	-	-	13,454
Disposals	-	-	-	-	-	-	-
December 31	41,417	148,899	77,120	156,816	456	-	424,708
Accumulated Depreciation:							
January 1	-	20,598	60,495	123,210	398	-	204,701
Charge for the year	-	3,562	8,718	15,818	58	-	28,156
Disposals	-	-	-	-	-	-	-
December 31	-	24,160	69,213	139,028	456	-	232,857
Net book value							
December 31, 2020	41,417	124,739	7,907	17,788	-	-	191,851

4.1 Right of use assets pertain to lease of premises of the Company's branches.

4.2 Depreciation is charged to general and administrative expenses in the consolidated statement of income.

5. INTANGIBLE ASSETS

	2021	2020
	SAR'000	
Cost:		
January 1	**27,211**	22,417
Additions	**13,938**	4,794
December 31	**41,149**	27,211
Accumulated Amortisation:		
January 1	**19,503**	18,446
Charge for the year	**5,019**	1,057
December 31	**24,522**	19,503
Net book value	**16,627**	7,708

Amortisation is charged to general and administrative expenses in the consolidated statement of income.

6. INVESTMENT PROPERTIES

	Land	Building	Total 2021	Total 2020
		SAR'000		
Cost:				
January 1	**21,480**	**51,027**	**72,507**	72,507
December 31	**21,480**	**51,027**	**72,507**	72,507
Accumulated depreciation:				
January 1	**-**	**10,369**	**10,369**	9,080
Charge for the year	**-**	**1,288**	**1,288**	1,289
December 31	**-**	**11,657**	**11,657**	10,369
Net book value	**21,480**	**39,370**	**60,850**	62,138

a) Measurement of fair values:

For the purpose of the disclosure requirements in accordance with IAS 40 “Investment properties”, the Company has appointed Ejadah Saudia for Valuation, professionally qualified independent valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem), with License No. (1210000003) for the purpose of estimating the land and buildings fair value as at December 31, 2021, which amounted to SAR 89.8 million (2020: SAR 82.3 million).

To determine the fair value of the investment property, the fair value has been determined using the market value of the property. Market value of the property has been determined in accordance with the Practice Statements and relevant Guidance notes of the Royal Institution of Chartered Surveyors (RICS) and approved by the International Valuation Standards Committee (IVSC) as follows: Market value is the estimated amount for which as asset or liability could exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the property has been assessed using a combination of Discounted Cash flow (‘DCF’) approach and Cost approach. The fair value measurement for all of the investment properties has been categorized under Level 3 of the fair value hierarchy.

7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS

	2021	2020
	SAR’000	
Insurance Operations		
Balance, January 1	**-**	10,358
Share of loss	**-**	(108)
Reclassification to available-for-sale investments (note 8)	**-**	(10,250)
	-	-
Shareholders Operations		
Balance, January 1	**85,319**	91,162
Share of profit	**18,602**	15,152
Dividends received	**(13,690)**	(20,241)
Share of other comprehensive loss	**(675)**	(754)
Balance, December 31	**89,556**	85,319
Total Investments in equity accounted investments	**89,556**	85,319

The Company’s interest in equity accounted investments, which is unquoted, is as follows along with summarized financial information:

Shareholders Operations:

a) United Insurance Company

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held	Carrying amount
				SAR’000			
December 31, 2021 *	Bahrain	**237,855**	**101,221**	**42,397**	**21,840**	**50%**	**68,317**
November 30, 2020 *	Bahrain	237,198	101,599	37,243	18,437	50%	67,799

* Based on latest available management accounts.

7. INVESTMENTS IN EQUITY ACCOUNTED INVESTMENTS (continued)

b) Waseel Application Services Provider

As of	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held	Carrying amount
				SAR'000			
November 30, 2021 *	Saudi Arabia	**66,817**	**19,620**	**30,739**	**17,772**	**45%**	**21,239**
November 30, 2020 *	Saudi Arabia	58,448	19,512	29,381	9,221	45%	17,520

* Based on latest available management accounts.

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise the following:

	2021	2020
Insurance Operations		
Local funds	**-**	5,060
Local funds with regional / foreign exposure	**97,316**	258,304
Local fixed income investments	**-**	86,545
Regional / foreign fixed income investments	**988,328**	1,391,831
Local discretionary portfolio management – equity shares	**275,414**	176,967
Private equity investment	**10,250**	10,250
Funds with portfolio manager	**168,054**	89,707
Total	**1,539,362**	2,018,664
Shareholders' Operations		
Local funds	**-**	-
Local funds with regional / foreign exposure	**421,512**	486,053
Local fixed income investments	**-**	27,217
Regional / foreign funds	**170,648**	140,975
Regional / foreign fixed income investments	**167,809**	139,805
Local discretionary portfolio management – equity shares	**51,099**	-
Local discretionary portfolio management – regional equity shares	**-**	53,171
Foreign discretionary portfolio management – equity shares	**-**	57,970
Private equity investments	**-**	53,145
Funds with portfolio manager	**20,513**	41,566
Total	**831,581**	999,902
Total available-for-sale investments	**2,370,943**	3,018,566

As at December 31, 2021 the Company has invested in Shariah Notes having fair value amounting to SAR 2.2 billion (2020: SAR 2.8 billion). The Shariah Notes are issued by a special purpose vehicle "SPV" established in Cayman Islands. The administrator of these Shariah Notes is a Company registered in Mauritius. The underlying investments of Shariah Notes include funds, discretionary portfolio management – equity shares and fixed income portfolios. The legal ownership of these underlying investments is not with the Company, however, the Company is the ultimate beneficial owner of the underlying investments while having control over the Shariah Notes and underlying investments. The custody of the underlying investments is in the custody account of the SPV or its nominee entity opened with fund and portfolio managers.

8. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Movements in available-for-sale investments are as follows:

	2021	2020
	SAR'000	
Insurance operations		
Balance, January 1	**2,018,664**	1,511,524
Purchases	**416,823**	1,777,122
Reclassification from investment in equity accounted investments	**-**	10,250
Disposals	**(1,064,852)**	(1,211,221)
Changes in fair value of investments	**168,727**	(69,011)
Balance, December 31	**1,539,362**	2,018,664
Shareholders' operations		
Balance, January 1	**999,902**	1,235,224
Purchases	**456,082**	693,086
Disposals	**(661,285)**	(969,535)
Changes in fair value of investments	**36,882**	41,127
Balance, December 31	**831,581**	999,902
Total	**2,370,943**	3,018,566

The movement of changes in fair value of available for sale investments is as follows:

	2021	2020
	SAR'000	
Insurance operations		
Change in fair value	**168,727**	(69,011)
Net gain transferred to the consolidated statement of income on disposal of investments	**(58,559)**	(52,336)
Impairment on available-for-sale investments	**-**	2,637
	110,168	(118,710)
Shareholders' operations		
Change in fair value	**36,882**	41,127
Net gain transferred to the consolidated statement of income on disposal of investments	**(83,398)**	(1,774)
Impairment on available-for-sale investments	**-**	2,175
	(46,516)	41,528
Total	**63,652**	(77,182)

The cumulative unrealized gain for available for sale investments and investment in equity accounted investments share of other comprehensive income amounts to SAR 152.5 million (December 31, 2020: loss of SAR 89.5 million).

9. MUDARABA / MURABAHA DEPOSITS

The deposits are held with banks and financial institution registered with Capital Market Authority in the Kingdom of Saudi Arabia. These deposits are predominately in mudaraba structures. These deposits are denominated in Saudi riyals and have an original maturity of more than three months. The average yield on these deposit is 2.86%. (2020: 1.51%).

The movements in deposits during the year ended December 31, 2021 and 2020, are as follows:

	2021	2020
	SAR'000	
Insurance Operations		
Balance, January 1	**1,291,465**	1,577,912
Placed during the year	**3,524,148**	4,687,222
Matured during the year	**(3,114,990)**	(4,973,669)
Balance, December 31	**1,700,623**	1,291,465
Shareholders Operations		
Balance, January 31	**1,843,467**	1,961,464
Placed during the year	**4,343,475**	5,605,750
Matured during the year	**(4,106,967)**	(5,723,747)
Balance, December 31	**2,079,975**	1,843,467
Total	**3,780,598**	3,134,932

10. PREPAID EXPENSES AND OTHER ASSETS

	2021	2020
	SAR'000	
Advance to medical service providers and others	**257,630**	270,329
Prepaid expenses	**68,290**	39,983
Other assets	**257,806**	465,951
	583,726	776,263

Other assets include payments made by the Company in relation to VAT assessment raised by Zakat, Tax and Customs Authority (ZATCA) for the years 2018 and 2019 of SAR 143 million. The Company submitted its objections on the ZATCA's assessment however, these objections were rejected by ZATCA. Therefore in January 2021, the Company filed an appeal with General Secretariat of Tax Committees (GSTC) under the Tax Violations and Dispute Committee (TVDC / GSTC Level 1) to contest the ruling of ZATCA. Following numerous hearings conducted with the TVDC, the TVDC had pronounced a ruling judgment in the favor of the defendant (i.e., ZATCA) in a virtual hearing on 4 October 2021. Subsequent to the year end, TVDC has provided a detailed ruling judgment and reasoning of the TVDC. Based on the above and in accordance with Article 40(2) of the GSTC Rules and Regulation, Tawuniya has filed an appeal to Tax Violations and Dispute Appellate Committee ("TVDAC") on 16 February 2022 i.e., within 30 days following receipt of the ruling judgment. The Company and advisors believe that there is a strong basis that the assessment raised by the ZATCA of the remaining amounts of SAR 143 million will be reversed at the GSTC Level 2 hearing and the amount will be returned in due course. Based on the management best estimate a provision of SAR 10 million has been recorded in these consolidated financial statements for the year ended 31 December 2021.

11. MOVEMENTS IN DEFERRED POLICY ACQUISITION COSTS, UNEARNED COMMISSION INCOME, UNEARNED PREMIUMS AND OUTSTANDING CLAIMS

a) Deferred policy acquisition costs

	2021	2020
	SAR'000	
Balance, January 1	**134,724**	120,845
Incurred during the year	**343,490**	404,266
Amortised during the year	**(350,263)**	(390,387)
Balance, December 31	**127,951**	134,724

b) Unearned commission income

	2021	2020
	SAR'000	
Balance, January 1	**37,538**	43,323
Commission received during the year	**137,045**	110,941
Commission earned during the year	**(132,294)**	(116,726)
Balance, December 31	**42,289**	37,538

c) Unearned premiums

	2021			2020		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
			SAR'000			
Balance, January 1	**4,319,378**	**(683,698)**	**3,635,680**	3,826,119	(715,959)	3,110,160
Premiums written during the year	**10,218,606**	**(1,594,488)**	**8,624,118**	9,061,768	(1,478,346)	7,583,422
Premiums earned during the year	**(9,506,719)**	**1,560,804**	**(7,945,915)**	(8,568,509)	1,510,607	(7,057,902)
Balance, December 31	**5,031,265**	**(717,382)**	**4,313,883**	4,319,378	(683,698)	3,635,680

d) Outstanding claims and other reserves

	2021			2020		
	Gross	**Reinsurers share**	**Net**	Gross	Reinsurers share	Net
			SAR'000			
Balance, January 1	**4,118,403**	**(2,252,354)**	**1,866,049**	5,613,305	(3,428,170)	2,185,135
Claims paid	**(6,764,042)**	**347,397**	**(6,416,645)**	(6,934,440)	1,127,381	(5,807,059)
Claims incurred	**6,846,886**	**(186,610)**	**6,660,276**	5,439,538	48,435	5,487,973
Balance, December 31	**4,201,247**	**(2,091,567)**	**2,109,680**	4,118,403	(2,252,354)	1,866,049
Outstanding claims	**2,440,830**	**(1,762,324)**	**678,506**	2,548,105	(1,962,570)	585,535
Salvage and subrogation	**(40,101)**	**-**	**(40,101)**	(31,453)	-	(31,453)
Gross outstanding claims	**2,400,729**	**(1,762,324)**	**638,405**	2,516,652	(1,962,570)	554,082
Incurred but not reported claims reserves	**1,770,241**	**(329,243)**	**1,440,998**	1,549,350	(289,784)	1,259,566
Premium deficiency reserve	**30,277**	**-**	**30,277**	52,401	-	52,401
Balance, December 31	**4,201,247**	**(2,091,567)**	**2,109,680**	4,118,403	(2,252,354)	1,866,049

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Management and its appointed actuary have made a detailed assessment of technical reserves and the various parameters in the valuation of technical liabilities.

As at December 31, 2021, based on the recommendations of its appointed actuary, management has recorded technical reserves (Gross outstanding claims and reserves including premium deficiency reserves) which amounted to SAR 4.2 billion (2020: SAR 4.1 billion). Significant portion of reserves relates to medical line of business. As at December 31, 2021 the Company booked five significant outstanding claims amounting to SAR 826 million (2020: four claims of SAR 917 million) with a reinsurance share of outstanding claim at 99.8% (2020: 99.8%) relating to property and casualty line of business.

12. REINSURERS' SHARE OF OUTSTANDING CLAIMS, NET

Reinsurers' share of outstanding claims comprise net amounts due from the following:

	2021	2020
	SAR'000	
Reinsurers' share of insurance liabilities	**2,093,025**	2,253,812
Impairment provision	**(1,458)**	(1,458)
	2,091,567	2,252,354

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the date of the consolidated statement of financial position. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern. Reinsurance arrangements are made with counterparties with sound credit ratings under Standard and Poor's ratings methodology and ratings as per other reputable agencies.

Amounts due from reinsurers relating to claims already paid by the Company are included in receivables, net (Note 13).

13. RECEIVABLES, NET

Receivables comprise net amounts due from the following:

	2021	2020
	SAR'000	
Policyholders	**1,468,716**	1,978,212
Brokers and agents	**1,558,297**	1,443,859
Related parties (Note 29)	**381,729**	135,786
	3,408,742	3,557,857
Receivables from reinsurers	**51,409**	120,281
Administrative service plan	**2,582**	3,256
	3,462,733	3,681,394
Provision for doubtful receivables	**(240,732)**	(200,841)
Receivables, net	**3,222,001**	3,480,553

Movement in provision for doubtful debts during the year was as follows:

	2021	2020
	SAR'000	
Balance, January 1	**200,841**	151,642
Provision for the year	**39,891**	49,199
Balance, December 31	**240,732**	200,841

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

			Past due but not impaired			Past due and impaired		
	Total	Neither past due nor impaired	Less than 30 days	31 – 60 days	61 - 90 days	91 - 180 days	181 - 360 days	More than 360 days
	SAR'000							
2021								
Premium and reinsurance receivables								
- Policyholders'	**1,468,716**	**756,216**	**257,999**	**66,072**	**27,671**	**37,389**	**173,861**	**149,508**
- Brokers and agents	**1,558,297**	**816,276**	**83,927**	**250,539**	**68,240**	**245,553**	**42,380**	**51,382**
- Due from related parties	**381,729**	**30,518**	**307,023**	**1,398**	**1,092**	**33,526**	**8,062**	**110**
- Receivable from reinsurers	**51,409**	**-**	**1,050**	**21,282**	**26,529**	**38**	**487**	**2,023**
- Administrative service plan	**2,582**	**-**	**-**	**-**	**118**	**-**	**-**	**2,464**
Total	3,462,733	1,603,010	649,999	339,291	123,650	316,506	224,790	205,487

13. RECEVABLES, NET (continued)

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	Past due but not impaired: 31 – 60 days	Past due but not impaired: 61 - 90 days	Past due and impaired: 91 - 180 days	Past due and impaired: 181 - 360 days	Past due and impaired: More than 360 days
	SAR'000							
2020								
Premium and reinsurance receivables								
- Policyholders'	1,978,212	807,677	169,141	43,025	567,317	39,248	245,314	106,490
- Brokers and agents	1,443,859	692,210	164,020	170,900	39,173	229,528	107,126	40,902
- Due from related parties	135,786	18,397	104,771	1,786	2,803	7,870	6	153
- Receivable from reinsurers	120,281	-	17,923	5,391	42,164	50,847	657	3,299
- Administrative service plan	3,256	-	792	-	-	-	-	2,464
Total	3,681,394	1,518,284	456,647	221,102	651,457	327,493	353,103	153,308

The Company only enters into insurance and reinsurance contracts with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies mainly outside the Kingdom of Saudi Arabia. Receivables include an amount of SAR 417 million (2020: SAR 455 million) due in foreign currencies, mainly in US dollars. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period. The five largest customers account for 33% (December 31, 2020: 37%) of the premium receivable as at December 31, 2021.

14. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SAR 125 million (December 31, 2020: SAR 125 million), in a bank designated by SAMA. The statutory deposit is maintained with the Saudi National Bank and can be withdrawn only with the consent of SAMA.

15. CASH AND CASH EQUIVALENTS

	2021	2020
	SAR'000	
Insurance operations		
Banks balances and cash	**1,161,102**	337,359
Total	**1,161,102**	337,359
Shareholders Operations		
Banks balances and cash	**27,164**	108,435
Total	**27,164**	108,435
Total cash and cash equivalents	**1,188,266**	445,794

Bank balances and cash includes call account balance of SAR 74 million (December 31, 2020: SAR 93 million). Bank balances (including off-balance sheet exposures) are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

16. SURPLUS DISTRIBUTION PAYABLE

Insurance Operations' surplus
The insurance operations invests its surplus funds in investments as disclosed in Notes 8 and 9. Changes in the fair value of available-for-sale investments at December 31, 2021 are not considered as part of the net surplus available for distribution to policyholders. At the time such investments are sold or gains and losses are realized, they will be included in the consolidated statement of income as surplus attributable to insurance operation. Insurance Operations' surplus for all the year till 2020 is allocated and awaiting details from policyholders to reimburse the same.

17. CLAIMS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
	SAR'000	
Payables to policyholders and hospitals	**450,680**	1,029,764
Payable - Zakat, Tax and Custom Authority	**185,481**	268,247
Accrued expenses	**142,894**	188,928
Marketing representative commissions	**18,542**	19,172
Insurance share of profit distribution payable	**42,800**	142,535
Payable - Ministry of Hajj and Umrah	**14,851**	13,909
Provision for leave encashment	**21,221**	21,366
Employees' savings plan (17.1)	**37,100**	32,834
Lease liability (17.2)	**47,149**	-
Other liabilities	**24,677**	12,772
	985,395	1,729,527

17.1 The Company has a savings plan for its Saudi employees under which a definite percentage of the employees' salary is periodically deducted, with the Company investing this amount through one of the investment funds compatible with the rules of Islamic Shariah. The total number of subscribers at the end of 2021 reached 267 employees (2020: 253 employees) with a subscription amounting to SAR 22.2 million (2020: SAR 20.6 million).

17.2 Movement of lease liability are as follows:

	2021	2020
	SAR'000	
January 1	**-**	-
Additions	**53,917**	-
Finance cost	**626**	
Repayment	**(7,394)**	-
December 31	**47,149**	-

18. DEFINED BENEFITS OBLIGATION

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

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

18.1 The amounts recognised in the consolidated statement of financial position based on its present value are as follows:

	2021	2020
	SAR'000	
Present value of defined benefits obligation	**142,110**	134,990
	142,110	134,990

18.2 Movement of defined benefits obligation

	2021	2020
	SAR'000	
Opening balance	**134,990**	129,480
Charge to the consolidated statement of income	**20,333**	14,255
Charge to the consolidated statement of comprehensive income	**(165)**	5,721
Payment of benefits during the year	**(13,048)**	(14,466)
Closing balance	**142,110**	134,990

18. DEFINED BENEFITS OBLIGATION (Continued)

18.3 Reconciliation of present value of defined benefits obligation

	2021	2020
	SAR '000	
Present value of defined benefits obligation as at January 1	**134,990**	129,480
Current service costs	**16,208**	11,244
Financial costs	**4,125**	3,011
Actuarial (gain) / loss from experience adjustments	**(165)**	5,721
Benefits paid during the year	**(13,048)**	(14,466)
Present value of defined benefits obligation as at December 31	**142,110**	134,990

18.4 Principal actuarial assumptions

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

	2021	*2020*
Valuation discount rate	**3%**	3%
Expected rate of increase in salary level across different age bands	**6%**	0.5% to 6%

In the absence of a deep market for "High Quality" local currency corporate bonds, the valuation discount rate was set based on the yields offered on Saudi domestic Government bonds as stipulated in paragraph 83 of the IAS 19.

18.5 Sensitivity analysis of actuarial assumptions

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

	2021	2020
	SAR '000	
	Impact on defined benefits obligation	
Valuation discount rate		
- Increase by 0.5%	**(4,683)**	(4,766)
- Decrease by 0.5%	**4,906**	5,085
Expected rate of increase in salary level across different age bands		
- Increase by 0.5%	**4,706**	5,005
- Decrease by 0.5%	**(4,530)**	(4,499)

19. CLAIMS DEVELOPMENT TABLE

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

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The IBNR estimate pertains to claims liability for the periods beginning from 2014 onwards whose claim experience has not been fully developed.

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

Claims development table gross of reinsurance:

2021

Accident year	**2016 & Earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	**33,073,839**	**5,842,642**	**7,423,498**	**5,946,045**	**4,554,242**	**6,020,437**	
One year later	**33,969,439**	**7,065,784**	**8,583,529**	**7,129,338**	**5,521,225**		
Two years later	**33,989,719**	**7,263,141**	**8,587,813**	**7,052,371**			
Three years later	**34,048,547**	**7,303,280**	**8,427,517**				
Four years later	**34,031,203**	**7,284,187**					
Five years later	**33,956,906**						
Current estimate of cumulative claims	**33,956,906**	**7,284,187**	**8,427,517**	**7,052,371**	**5,521,225**	**6,020,437**	**68,262,643**
Cumulative payments to date	**(33,632,067)**	**(7,108,392)**	**(8,107,618)**	**(6,359,779)**	**(5,209,984)**	**(5,403,973)**	**(65,821,813)**
Liability recognised in the consolidated statement of financial position	**324,839**	**175,795**	**319,899**	**692,592**	**311,241**	**616,464**	**2,440,830**
Salvage and subrogation							**(40,101)**
Incurred but not reported claims	**27,267**	**12,114**	**6,372**	**5,388**	**103,582**	**1,615,518**	**1,770,241**
Premium deficiency reserve							**30,277**
Outstanding claims and reserves							**4,201,247**

2020

Accident year	2015 & Earlier	2016	2017	2018	2019	2020	Total
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	27,341,158	5,004,460	5,842,642	7,423,498	5,946,045	4,554,242	
One year later	28,069,379	6,045,645	7,065,784	8,583,529	7,129,338		
Two years later	27,923,794	6,161,715	7,263,141	8,587,813			
Three years later	27,828,004	6,251,565	7,303,280				
Four years later	27,796,982	6,250,074					
Five years later	27,781,129						
Current estimate of cumulative claims	27,781,129	6,250,074	7,303,280	8,587,813	7,129,338	4,554,242	61,605,876
Cumulative payments to date	(27,579,803)	(6,039,881)	(7,100,444)	(7,965,675)	(6,240,366)	(4,131,602)	(59,057,771)
Liability recognised in the consolidated statement of financial position	201,326	210,193	202,836	622,138	888,972	422,640	2,548,105
Salvage and subrogation							(31,453)
Incurred but not reported claims	31,503	14,012	10,140	19,974	41,437	1,432,284	1,549,350
Premium deficiency reserve							52,401
Outstanding claims and reserves							4,118,403

19. CLAIMS DEVELOPMENT TABLE (Continued)

Claims development table net of reinsurance:

2021

Accident year	**2016 & Earlier**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	**26,043,900**	**5,444,158**	**5,219,686**	**4,773,695**	**4,370,007**	**5,764,221**	
One year later	**27,041,135**	**6,521,216**	**5,952,086**	**5,824,840**	**5,143,894**		
Two years later	**27,213,751**	**6,693,505**	**6,302,817**	**5,840,405**			
Three years later	**27,220,649**	**6,713,412**	**6,297,516**				
Four years later	**27,203,968**	**6,702,493**					
Five years later	**27,176,131**						
Current estimate of cumulative claims	**27,176,131**	**6,702,493**	**6,297,516**	**5,840,405**	**5,143,894**	**5,764,221**	**56,924,660**
Cumulative payments to date	**(27,066,295)**	**(6,665,283)**	**(6,266,416)**	**(5,810,428)**	**(5,103,877)**	**(5,333,855)**	**(56,246,154)**
Liability recognised in the consolidated statement of financial position	**109,836**	**37,210**	**31,100**	**(5,810,428)**	**40,017**	**430,366**	**678,506**
Salvage and subrogation							**(40,101)**
Incurred but not reported claims	**33,029**	**5,921**	**2,951**	**4,992**	**97,459**	**1,296,646**	**1,440,998**
Premium deficiency reserve							**30,277**
Outstanding claims and reserves							**2,109,680**

2020

Accident year	2015 & Earlier	2016	2017	2018	2019	2020	Total
				SAR '000			
Estimate of ultimate claims cost:							
At the end of accident year	20,905,829	4,468,422	5,444,158	5,219,686	4,773,695	4,370,007	
One year later	21,575,478	5,423,773	6,521,216	5,952,086	5,824,840		
Two years later	21,617,362	5,618,128	6,693,505	6,302,817			
Three years later	21,595,623	5,631,093	6,713,412				
Four years later	21,589,556	5,628,993					
Five years later	21,574,975						
Current estimate of cumulative claims	21,574,975	5,628,993	6,713,412	6,302,817	5,824,840	4,370,007	50,415,044
Cumulative payments to date	(21,478,701)	(5,584,862)	(6,662,809)	(6,253,776)	(5,779,322)	(4,070,039)	(49,829,509)
Liability recognised in the consolidated statement of financial position	96,274	44,131	50,603	49,041	45,518	299,968	585,535
Salvage and subrogation							(31,453)
Incurred but not reported claims	28,815	13,655	9,742	16,661	33,317	1,157,376	1,259,566
Premium deficiency reserve							52,401
Outstanding claims and reserves							1,866,049

20. ZAKAT

a) The current year's provision is based on the following:

	2021	2020
	SAR'000	
Share capital	**1,250,000**	1,250,000
Reserves, opening provisions and other adjustments	**2,051,875**	1,629,843
Book value of long term assets	**(470,936)**	(472,016)
	2,830,939	2,407,827
Adjusted net income	**424,224**	591,204
Zakat @ 2.578% on Zakat base	**72,972**	62,074
Zakat @ 2.5% on adjusted net income	**10,606**	14,780
	83,578	76,854

As the zakat base for the year is higher than the zakatable income, the zakat for the year is calculated at 2.578% on the zakat base and 2.5% on adjusted net income for the year.

b) The movement in the zakat provision for the year was as follows:

	2021	2020
	SAR'000	
Balance, January 1	**346,224**	255,554
Provided during the year	**83,578**	76,854
Charge for the prior years	**-**	44,275
Payments during the year	**(14,779)**	(30,459)
Balance, December 31	**415,023**	346,224

c) Status of Assessments:

The Company has filed Zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2014 to 2020.The ZATCA issued assessments for the years 2014 to 2018 and objection was lodged against those years. For 2014 to 2018, the ZATCA rejected the appeal and the company filed their appeal case at the General Secretariat of Tax Committees (GSTC). The company also approached the Alternative Dispute Resolution Committee (ADRC) to discuss an amicable settlement of their contested appeal matters for the years 2014 to 2018. Subsequent to the year ended December 31, 2021, the Company agreed on a settlement with the ADRC amounting to SAR 221 million for the assessment years 2014 to 2018. Furthermore, ZATCA has started its review procedures for years 2019 and 2020 but has not raised any final assessment related to these years.

Management believes that appropriate and adequate provisions have been created and that the finalization of the above mentioned assessments is not expected to have a material impact on the consolidated financial statements for the year ended 2021.

21. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SAR 1.25 billion at December 31, 2021 (2020: SAR 1.25 billion) consisting of 125 million shares of SAR 10 each.

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

	2021		
	Authorized and issued		**Paid up**
	No. of Shares	**SAR'000**	
Held by the public	**79,025,509**	**790,255**	**790,255**
General Organization for Social Insurance	**45,974,491**	**459,745**	**459,745**
	125,000,000	**1,250,000**	**1,250,000**

	2020		
	Authorized and issued		Paid up
	No. of Shares	SAR'000	
Held by the public	79,025,509	790,255	790,255
Public Pension Agency	23,612,685	236,127	236,127
General Organization for Social Insurance	22,361,806	223,618	223,618
	125,000,000	1,250,000	1,250,000

21. SHARE CAPITAL (continued)

During the year, the Saudi Cabinet approved to merge Public Pension Agency ("PPA") into General Organization for Social Insurance ("GOSI"), consequently the holding percentage of GOSI reached 36.77% (December 31, 2020: PPA is 18.89%, GOSI 17.88%).

During the year ended December 31, 2021, the Company has announced the dividend of SAR 100 million on April 6, 2021 which constitute SAR 0.8 per share.

22. SHORT-TERM BORROWINGS

On June 28, 2020, the Company had entered into a credit facility of SAR 400 million with Riyad Bank for SIBOR 3 months + 0.65% for a period of 360 days for its operations. During the year, the Company has settled the amount of SAR 400 million in full however, this credit facility is still subject to annual renewal.

	2021	2020
	SAR'000	
January 1	**401,998**	-
Borrowing obtained during the year	**-**	400,000
Finance cost accrued during the year	**3,748**	1,998
Repayment during the year	**(405,746)**	-
December 31	**-**	401,998

23. STATUTORY RESERVE

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital. This transfer is only made at the year end. The statutory reserve is not available for distribution to the shareholders until the liquidation of the Company.

24. INSURANCE SHARE DISTRIBUTION

(i) Manafeth shared agreement:

On January 13, 2015 the Company, together with 25 other insurance companies, signed the Manafeth shared agreement relating to third party liability motor insurance which is effective from January 1, 2015. The agreement relates to motor insurance for vehicles entering the Kingdom of Saudi Arabia. The agreement was subsequently renewed for two years from January 1, 2019 to December 31, 2020 with 25 other insurance companies.

The main terms of the agreement are as follows:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is shared equally by the Company and other insurers.

Effective from January 1, 2021, in accordance with a new shared agreement signed together with 3 other insurance companies and Najm Insurance Services "Najm", Najm would be in charge of managing the Manafeth (Outpost Offices) and will be acting as an agent on behalf of the insurers in the agreement. The purpose of this restructuring is to handle the sale of insurance policies for the foreign vehicles entering or crossing the borders of the Kingdom of Saudi Arabia, on behalf of the participating insurance companies. Najm will be sharing the insurance policies equally with the participating insurance companies and the accounting of premiums and related claims cost will be recorded separately by each of the participating insurance companies in their respective financial statements.

24. INSURANCE SHARE DISTRIBUTION (continued)

(ii) Umrah shared agreement:

On January 1, 2020 the Company, together with 28 other insurance companies, signed the Umrah shared agreement relating to medical and general accidents insurance which is effective from January 1, 2020. The agreement relates to insurance of pilgrims who enter the Kingdom of Saudi Arabia.

The main terms of the agreement are as follows:

- The Company obtains 2% management fee of the net result of the Umrah portfolio;
- The Company obtains 2.5% of Umrah's gross premiums written to cover the related indirect expenses;
- The Company obtains 0.3% of investing portfolio funds;
- The Company pays 7.5% brokerage commission of Umrah's gross premiums written through broker;
- The Company pays 10% of Umrah's portfolio surplus to Ministry of Hajj and Umrah; and
- The net result of the Umrah portfolio after deducting all the above mentioned items is shared equally by the Company and other insurers.

(iii) Travel and COVID-19 shared agreement:

On April 6, 2021 the Company, together with 12 other insurance companies, signed the Travel and COVID-19 shared agreement relating to compulsory travel insurance in addition to coverages related to COVID-19 which is effective from April 6, 2021. The agreement relates to insurance of citizens traveling abroad.
The main terms of the agreement are as follows:

- The Company obtains 2.5% management fee of Travel and COVID-19 gross premiums written; and
- The Company obtains 30% of net result of Travel & COVID-19 portfolio after deducting the above mentioned item and the remaining is shared equally with other insurers.

25. INVESTMENT INCOME, net

	2021	2020
	SAR'000	
Insurance Operations		
Available-for-sale:		
- Dividend income	-	2,318
- Commission income	**87,192**	102,833
- Realized gain on sale (Note 8)	**58,559**	52,336
Investment income, net	**145,751**	157,487
Shareholders Operations		
Available-for-sale:		
- Dividend income	-	6,124
- Commission income	**58,854**	52,027
- Realized gain on sale (Note 8)	**83,398**	1,774
- Investment fees	**(3,818)**	(8,620)
Investment income, net	**138,434**	51,305
Total investment income, net	**284,185**	208,792

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SAR'000	
Salaries and benefits	**503,350**	421,306
Advertising	**43,197**	45,426
Insurance, utilities and maintenance	**19,640**	16,959
Depreciation (Note 4,6)	**27,299**	29,445
Communications	**15,864**	10,576
Office supplies and printing	**4,525**	3,359
Training and education	**2,693**	4,478
Professional fees	**25,502**	5,901
Indirect cost charge	**952**	9,165
License and other charges	**45,524**	32,104
Unrecoverable VAT and penalties	**18,933**	-
Others	**38,789**	49,443
	746,268	628,162

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the income for the year by 125 million shares.

28. ACCRUED INVESTMENT INCOME

The Company has recorded an accrued investment income on available-for-sale investments amounting to SAR 11 million (2020: SAR 2.4 million).

29. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Group's management and Board of Directors. The following are the details of the major related party transactions during the year and the related balances at December 31:

	Amount of transactions for the year ended SAR'000		**Balance receivable / (payable) as at SAR'000**	
	2021	2020	**2021**	2020
Major shareholders				
Insurance premium written	**56,298**	62,906	**15,951**	6,786
Allowance for doubtful debts	**-**	-	**(2,457)**	(476)
Claims paid to medical services providers	**68**	346	**-**	-
General Organization for Social Insurance - other services	**145**	134	**-**	-
Rent expenses paid	**-**	125	**-**	-
Associates				
Insurance premium written	**887**	742	**75**	-
Waseel fees paid	**3,755**	3,983	-	-
United Insurance Company B.S.C. fees and claims	**6,848**	7,297	**582**	223
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium written	**614,440**	226,811	**365,722**	129,000
Allowance for doubtful debts	**-**	-	**(4,670)**	(821)
Claims paid to medical services providers	**602**	1,610	**-**	-
Rent expenses paid	**1,666**	763	**(561)**	(561)
Amount of claims paid to medical services providers	**-**	-	**-**	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Remuneration and compensation of BOD Members and Top Executives

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

2021	**BOD members (Executives)**	**BOD members (Non-Executive)**	**Top Executives including the CEO and CFO**
		SAR'000	
Salaries and compensation	**-**	**-**	**7,995**
Allowances	**-**	**550**	**3,438**
Annual remuneration	**-**	**4,612**	**9,069**
End of service indemnities	**-**	**-**	**2,332**
Total	**-**	**5,162**	**22,834**

2020	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
		SAR'000	
Salaries and compensation	-	-	7,279
Allowances	-	763	3,063
Motivational plans	-	-	1,556
Annual remuneration	-	3,780	8,710
End of service indemnities	-	-	819
Total	-	4,543	21,427

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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

	SAR'000			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for- sale investments				
Insurance operations				
Mutual funds	**-**	**97,316**	**-**	**97,316**
Fixed income investments (Governments and corporations securities)	**808,128**	**180,200**	**-**	**988,328**
Discretionary portfolio management – equity shares	**275,414**	**-**	**-**	**275,414**
Private equity investment	**-**	**-**	**10,250**	**10,250**
Funds with portfolio manager	**-**	**168,054**	**-**	**168,054**
	1,083,542	**445,570**	**10,250**	**1,539,362**
Shareholders operations				
Mutual funds	**-**	**592,160**	**-**	**592,160**
Fixed income investments (Governments and corporations securities)	**131,824**	**35,985**	**-**	**167,809**
Local discretionary portfolio management – equity shares	**51,099**	**-**	**-**	**51,099**
Funds with portfolio manager	**-**	**20,513**	**-**	**20,513**
	182,923	**648,658**	**-**	**831,581**
Total	**1,266,465**	**1,094,228**	**10,250**	**2,370,943**

	SAR'000			
2020	Level 1	Level 2	Level 3	Total
Available-for- sale investments				
Insurance operations				
Local funds (mutual funds)	-	263,364	-	263,364
Fixed income investments (Governments and corporations securities)	1,032,744	445,632	-	1,478,376
Discretionary portfolio management – equity shares	176,967	-	-	176,967
Fixed income investments (sukuks)	-	-	10,250	10,250
Funds with portfolio manager	-	89,707	-	89,707
	1,209,711	798,703	10,250	2,018,664
Shareholders operations				
Local funds (mutual funds)	-	627,028	-	627,028
Fixed income investments (Governments and corporations securities)	27,217	139,805	-	167,022
Discretionary portfolio management – equity shares	111,141	-	-	111,141
Private equity investment	-	-	53,145	53,145
Funds with portfolio manager	-	41,566	-	41,566
	138,358	808,399	53,145	999,902
Total	1,348,069	1,607,102	63,395	3,018,566

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The valuation of each publicly traded investment classified under level 1 is based upon the closing market price of that security as of the valuation date. The fair value used for valuation of Level 2 fixed income investments and mutual funds are based on prices quoted on reliable and third party sources including Reuters, Bloomberg, etc. Fair value of private equity investment classified in Level 3 are determined based on the recent transaction price. There were no transfers in between levels during the year ended December 31, 2021 and 2020. As at December 31, 2021, the Company has invested an amount of SAR 2.2 billion (2020: SAR 2.8 billion) classified under available for sale investments in Shariah Notes issued by Cayman Shariah Vehicle.

The fair values of statutory deposits, accrued investment income on statutory deposit, mudaraba / murabaha deposits, bank balances and other financial assets in the consolidated statement of financial position which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements due to the short term nature of balances or they are repayable on demand.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

				SAR'000		
				Total gain or loss recognised in		
December 31, 2021	**Balance January 1**	**Purchases / Transfers**	**Sales**	**Consolidated statement of income**	**Other comprehensive income**	**Balance December 31**
Insurance operations						
Private equity investment	**10,250**	**-**	**-**	**-**	**-**	**10,250**
	10,250	**-**	**-**	**-**	**-**	**10,250**
Shareholders operations						
Private equity investment	**53,145**	**-**	**(53,145)**	**-**	**-**	**-**
	53,145	**-**	**(53,145)**	**-**	**-**	**-**
Total	**63,395**	**-**	**(53,145)**	**-**	**-**	**10,250**

				SAR'000		
				Total gain or loss recognised in		
December 31, 2020	Balance January 1	Purchases / Re-class	Sales/ Re-class	Consolidated statement of income	Other comprehensive income	Balance December 31
Insurance operations						
Sukuks	6,341	-	(6,341)	-	-	-
Private equity investment	-	10,250	-	-	-	10,250
	6,341	10,250	(6,341)	-	-	10,250
Shareholders operations						
Private equity investment	53,145	-	-	-	-	53,145
Total	59,486	10,250	(6,341)	-	-	63,395

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The below table shows significant unobservable inputs used in the valuation of level 3 investments.

Description	Fair value as at Dec 31, 2021 (SAR)	Fair value as at Dec 31, 2020 (SAR)	Unobservable Inputs 2021	Unobservable Inputs 2020	Range of inputs 2021	Range of inputs 2020	Relationships of unobservable inputs to fair value
Private equity investment	-	63,395	-	Annual growth rate 6%	-	+/- 25%	N/A

Sensitivity analysis of Level 3 investments

December 31, 2021	**Sensitivity factor**	**Impact on fair value due to increase in sensitivity factor**	**Impact on fair value due to decrease in sensitivity factor**
		SAR'000	
<u>Insurance Operations</u>			
Private equity investment	**+/- 10% change in price**	-	-

December 31, 2020	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to decrease in sensitivity factor
		SAR'000	
<u>Insurance Operations</u>			
Private equity investment	+/- 10% change in price	-	-
<u>Shareholders operations</u>			
Private equity investment	+/- 10% change in price	5,315	(5,315)

31. OPERATING SEGMENTS

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' property and equipment, intangible assets, investment properties, available for sale investments, mudaraba / murabaha deposits, prepaid expenses and other assets, receivables, net, accrued investment income and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include insurance operations' surplus distribution payable, defined benefits obligation, claims payable, accrued expenses and other liabilities, short-term borrowings and reinsurers' balances payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipment) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

31. OPERATING SEGMENTS (Continued)

	2021										
Operating Segments	**Medical ***	**Medical - Umrah**	**Motor**	**Property & casualty**	**General Accidents - Umrah**	**Travel & COVID-19**	**Protection & Savings**	**Total - Insurance operations**	**Total - Teejan Al-Khaleej operations**	**Total - Shareholders' operations**	**Total**
	SAR'000										
REVENUES											
Gross premiums written											
- Retail	16,899	19,107	507,960	19,353	16,358	99,107	218	679,002			679,002
- Micro Enterprises	343,234	-	20,416	13,701	-	-	-	377,351			377,351
- Small Enterprises	261,567	-	8,731	16,694	-	-	280	287,272			287,272
- Medium Enterprises	327,969	-	18,807	38,904	-	-	967	386,647			386,647
- Corporates	6,870,037	-	62,695	1,521,347	-	-	34,255	8,488,334			8,488,334
	7,819,706	19,107	618,609	1,609,999	16,358	99,107	35,720	10,218,606			10,218,606
Reinsurance ceded – local	-	-	-	(76,624)	-	-	(2,282)	(78,906)			(78,906)
Reinsurance ceded – international	(84,580)	-	-	(1,396,897)	(1,102)	(2,727)	(30,276)	(1,515,582)			(1,515,582)
Excess of loss premiums	-	-	(3,947)	(15,554)	(1,218)	-	-	(20,719)			(20,719)
Fees income from takaful	-	-	-	-	-	-	4,466	4,466			4,466
Net premiums written	7,735,126	19,107	614,662	120,924	14,038	96,380	7,628	8,607,865			8,607,865
Changes in unearned premiums, net	(645,860)	(3,520)	(1,724)	(19,717)	(2,835)	(4,164)	(383)	(678,203)			(678,203)
Net premiums earned	7,089,266	15,587	612,938	101,207	11,203	92,216	7,245	7,929,662			7,929,662
Reinsurance commissions	1,663	-	-	130,631	-	-	-	132,294			132,294
Other underwriting income	74	-	2,313	3,882	-	-	-	6,269			6,269
TOTAL REVENUES	7,091,003	15,587	615,251	235,720	11,203	92,216	7,245	8,068,225			8,068,225
UNDERWRITING COSTS AND EXPENSES											
Gross claims paid and expenses incurred related to claims	6,012,501	7,122	414,487	291,816	14	3,681	34,421	6,764,042			6,764,042
Reinsurers' share of claims paid	(41,041)	-	(5,821)	(268,683)	(10)	(181)	(31,661)	(347,397)			(347,397)
Net claims and other benefits paid	5,971,460	7,122	408,666	23,133	4	3,500	2,760	6,416,645			6,416,645
Changes in outstanding claims, net	121,322	-	(31,243)	(5,681)	-	-	(75)	84,323			84,323
Changes in incurred but not reported claims reserve, net	168,688	1,118	(18,380)	7,133	2,367	20,108	398	181,432			181,432
Changes in premium deficiency reserves	(14,611)	-	-	(7,606)	-	-	93	(22,124)			(22,124)
Net claims and other benefits incurred	6,246,859	8,240	359,043	16,979	2,371	23,608	3,176	6,660,276			6,660,276
Changes in reserve for takaful activities	-	-	-	-	-	-	(172)	(172)	-		(172)
Policy acquisition costs	237,175	1,162	75,136	47,820	995	2,326	578	365,192	(14,929)		350,263
Other underwriting expenses	111,102	1,242	5,487	12,333	1,128	3,110	3,139	137,541	-		137,541
Insurance share distribution	-	3,123	12,605	-	5,028	42,105	-	62,861	-		62,861
TOTAL UNDERWRITING COSTS AND EXPENSES	6,595,136	13,767	452,271	77,132	9,522	71,149	6,721	7,225,698	(14,929)		7,210,769
Net underwriting income	495,867	1,820	162,980	158,588	1,681	21,067	524	842,527	14,929		857,456
Unallocated (expenses) / income:											
General and administrative expenses								(737,796)	(368)	(8,104)	(746,268)
Allowance for doubtful debts								(39,891)	-	-	(39,891)
Investment income, net								145,751	-	138,434	284,185
Share of profit from investments in equity accounted investments, net								-	-	18,602	18,602
Impairment of available for sale investments								-	-	-	-
Other income, net								12,712	(14,328)	-	(1,616)
Net income for the year before attribution and zakat								223,303	233	148,932	372,468

* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 6,297 million.

31. OPERATING SEGMENTS (Continued)

	2020									
Operating Segments	**Medical ***	**Medical - Umrah**	**Motor ****	**Property & casualty**	**General Accidents - Umrah**	**Protection & Savings**	**Total - Insurance operations**	**Total - Teejan Al-Khaleej operations**	**Total Shareholders' operations**	**Total**
REVENUES										
Gross premiums written										
- Retail	27,027	145,176	573,076	19,450	92,385	264	857,378			857,378
- Micro Enterprises	348,577	-	19,070	18,651	-	-	386,298			386,298
- Small Enterprises	244,336	-	11,812	24,146	-	186	280,480			280,480
- Medium Enterprises	287,308	-	27,678	30,237	-	926	346,149			346,149
- Corporates	5,662,745	-	44,993	1,453,399	-	30,326	7,191,463			7,191,463
	6,569,993	145,176	676,629	1,545,883	92,385	31,702	9,061,768			9,061,768
Reinsurance ceded - local	-	-	-	(72,281)	-	(23,488)	(95,769)			(95,769)
Reinsurance ceded - international	(1,332)	-	-	(1,375,919)	-	(5,326)	(1,382,577)			(1,382,577)
Excess of loss premiums	-	-	(7,933)	(11,348)	(2,903)	-	(22,184)			(22,184)
Fees income from takaful	-	-	-	-	-	6,667	6,667			6,667
Net premiums written	6,568,661	145,176	668,696	86,335	89,482	9,555	7,567,905			7,567,905
Changes in unearned premiums, net	(551,772)	(22)	25,117	988	(14)	183	(525,520)			(525,520)
Net premiums earned	6,016,889	145,154	693,813	87,323	89,468	9,738	7,042,385			7,042,385
Reinsurance commissions	1,303	-	-	115,423	-	-	116,726			116,726
Other underwriting income	1,362	-	4,051	1,476	-	-	6,889			6,889
TOTAL REVENUES	6,019,554	145,154	697,864	204,222	89,468	9,738	7,166,000			7,166,000
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid and expenses incurred related to claims	5,452,457	54,824	330,461	1,063,816	2,432	30,450	6,934,440			6,934,440
Reinsurers' share of claims paid	(55,939)	-	(4,352)	(1,038,634)	-	(28,456)	(1,127,381)			(1,127,381)
Net claims and other benefits paid	5,396,518	54,824	326,109	25,182	2,432	1,994	5,807,059			5,807,059
Changes in outstanding claims, net	(31,068)	-	(887)	1,120	-	472	(30,363)			(30,363)
Changes in incurred but not reported claims reserve, net	(299,209)	277	(11,914)	(27,950)	31	471	(338,294)			(338,294)
Changes in premium deficiency reserves	34,707	-	-	14,898	-	(34)	49,571			49,571
Net claims and other benefits incurred	5,100,948	55,101	313,308	13,250	2,463	2,903	5,487,973			5,487,973
Changes in reserve for takaful activities	-	-	-	-	-	(1,462)	(1,462)	-		(1,462)
Policy acquisition costs	231,165	10,887	108,710	40,063	6,928	814	398,567	(8,180)		390,387
Other underwriting expenses	93,617	14,172	3,434	6,101	11,814	815	129,953	-		129,953
Insurance share distribution	-	57,751	22,072	-	62,712	-	142,535	-		142,535
TOTAL UNDERWRITING COSTS AND EXPENSES	5,425,730	137,911	447,524	59,414	83,917	3,070	6,157,566	(8,180)		6,149,386
Net underwriting income	593,824	7,243	250,340	144,808	5,551	6,668	1,008,434	8,180		1,016,614
Unallocated (expenses) / income:										
General and administrative expenses							(622,165)	(409)	(5,997)	(628,162)
Allowance for doubtful debts							(49,199)	-	-	(49,199)
Investment income, net							157,487	-	51,305	208,792
Share of profit from investments in equity accounted investments, net							(108)	-	15,152	15,044
Impairment of available for sale investments							(2,637)	-	(2,175)	(4,812)
Other income, net							14,292	(7,500)	680	6,792
Net income for the year before attribution and zakat							506,104	271	58,965	565,069

* Gross written premiums relating to medical segment includes medical compulsory business amounting to SAR 5,089 million.

** Manafeth segment of the prior year have been reclassified to Motor segment.

31. OPERATING SEGMENTS (Continued)

Operating Segments	As at December 31, 2021										
	Medical	Medical - Umrah	Motor	Property & casualty	General Accidents - Umrah	Travel & COVID-19	Protection & Savings	Total - Insurance operations	Total - Teejan Al-Khaleej operations	Total Shareholders' operations	Total
	SAR'000										
Assets											
Deferred excess of loss premiums	**-**	**-**	**1,316**	**6,185**	**-**	**-**	**-**	**7,501**			**7,501**
Deferred policy acquisition costs	**87,302**	**272**	**22,666**	**17,206**	**233**	**6**	**266**	**127,951**			**127,951**
Reinsurer's share of gross outstanding claims	**214**	**-**	**24,053**	**1,718,172**	**-**	**-**	**19,885**	**1,762,324**			**1,762,324**
Reinsurer's share of incurred but not reported claims	**24,571**	**-**	**4,250**	**285,544**	**73**	**622**	**14,183**	**329,243**			**329,243**
Reinsurer's share of unearned premiums	**13,512**	**-**	**2**	**695,698**	**211**	**122**	**7,837**	**717,382**			**717,382**
Unallocated assets:											
Investments (includes investment properties, investments in equity accounted investments, available for sale investments, mudaraba / murabaha deposits and accrued investment income)								**3,307,728**		**3,005,248**	**6,312,976**
Receivables, net								**3,222,001**			**3,222,001**
Cash and cash equivalents								**1,161,102**	**10,100**	**17,064**	**1,188,266**
Other unallocated assets								**835,876**		**129,497**	**965,373**
Total assets								**11,471,108**	**10,100**	**3,151,809**	**14,633,017**
Liabilities											
Reserve for takaful activities	**-**	**-**	**-**	**-**	**-**	**-**	**3,372**	**3,372**			**3,372**
Gross outstanding claims	**346,835**	**-**	**183,610**	**1,848,995**	**-**	**-**	**21,289**	**2,400,729**			**2,400,729**
Incurred but not reported claims reserve	**1,305,631**	**1,395**	**135,974**	**288,600**	**2,471**	**20,730**	**15,440**	**1,770,241**			**1,770,241**
Premium deficiency reserve	**20,096**	**-**	**-**	**10,088**	**-**	**-**	**93**	**30,277**			**30,277**
Unearned commission income	**452**	**-**	**-**	**40,616**	**-**	**-**	**1,221**	**42,289**			**42,289**
Gross unearned premiums	**3,912,904**	**3,542**	**329,233**	**769,500**	**3,060**	**4,286**	**8,740**	**5,031,265**			**5,031,265**
Unallocated liabilities:											
Reinsurers' balances payable								**503,409**			**503,409**
Other unallocated liabilities								**1,376,264**	**3,918**	**432,189**	**1,812,371**
Total liabilities								**11,157,846**	**3,918**	**432,189**	**11,593,953**

31. OPERATING SEGMENTS (continued)

Operating Segments	As at December 31, 2020									
	Medical	Medical - Umrah	Motor *	Property & casualty	General Accidents - Umrah	Travel & COVID-19	Protection & Savings	Total - Insurance operations	Total Shareholders' operations	Total
	SAR'000									
Assets										
Deferred excess of loss premiums	-	-	443	12,280	-	-	-	12,723		12,723
Deferred policy acquisition costs	92,474	2	23,982	18,052	1	-	213	134,724		134,724
Reinsurer's share of gross outstanding claims	21	-	23,712	1,919,448	-	-	19,389	1,962,570		1,962,570
Reinsurer's share of incurred but not reported claims	7,344	-	6,503	264,912	-	-	11,025	289,784		289,784
Reinsurer's share of unearned premiums	-	-	-	680,291	-	-	3,407	683,698		683,698
Unallocated assets:										
Investments (includes investment properties, investments in equity accounted investments, available for sale investments, mudaraba / murabaha deposits and accrued investment income)								3,373,600	2,929,752	6,303,352
Receivables, net								3,480,553	-	3,480,553
Cash and cash equivalents								337,359	108,435	445,794
Other unallocated assets								975,822	127,774	1,103,596
Total assets								11,250,833	3,165,961	14,416,794
Liabilities										
Reserve for takaful activities	-	-	-	-	-	-	3,544	3,544		3,544
Gross unearned premiums	3,253,532	22	327,507	734,376	14	-	3,927	4,319,378		4,319,378
Gross outstanding claims	225,320	-	214,512	2,055,952	-	-	20,868	2,516,652		2,516,652
Incurred but not reported claims reserve	1,119,716	277	156,607	260,835	31	-	11,884	1,549,350		1,549,350
Premium deficiency reserve	34,707	-	-	17,694	-	-	-	52,401		52,401
Unearned commission income	-	-	-	36,761	-	-	777	37,538		37,538
Unallocated liabilities:										
Reinsurers' balances payable								254,559		254,559
Other unallocated liabilities								2,514,520	359,490	2,874,010
Total liabilities								11,247,942	359,490	11,607,432

* Manafeth segment of the prior year have been reclassified to Motor segment.

32. SUPPLEMENTARY INFORMATION

a) Consolidated statement of financial position

	As at December 31, 2021			As at December 31, 2020		
	Insurance operations	**Shareholders' & Subsidiary operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
ASSETS						
Statutory deposit	**-**	**125,000**	**125,000**	-	125,000	125,000
Accrued income on statutory deposit	**-**	**3,050**	**3,050**	-	2,774	2,774
Property and equipment, net	**236,970**	**-**	**236,970**	191,851	-	191,851
Intangible assets	**16,627**	**-**	**16,627**	7,708	-	7,708
Investment properties	**60,850**	**-**	**60,850**	62,138	-	62,138
Investments in equity accounted investments	**-**	**89,556**	**89,556**	-	85,319	85,319
Available for sale investments	**1,539,362**	**831,581**	**2,370,943**	2,018,664	999,902	3,018,566
Mudaraba / murabaha deposits	**1,700,623**	**2,079,975**	**3,780,598**	1,291,465	1,843,467	3,134,932
Due from / to Shareholder's operations	**(227,129)**	**227,129**	**-**	(27,091)	27,091	-
Prepaid expenses and other assets	**582,279**	**1,447**	**583,726**	776,263	-	776,263
Deferred excess of loss premiums	**7,501**	**-**	**7,501**	12,723	-	12,723
Deferred policy acquisition costs	**127,951**	**-**	**127,951**	134,724	-	134,724
Reinsurers' share of gross outstanding claims	**1,762,324**	**-**	**1,762,324**	1,962,570	-	1,962,570
Reinsurers' share of incurred but not reported claims	**329,243**	**-**	**329,243**	289,784	-	289,784
Reinsurers' share of unearned premiums	**717,382**	**-**	**717,382**	683,698	-	683,698
Receivables, net	**3,222,001**	**-**	**3,222,001**	3,480,553	-	3,480,553
Accrued investment income	**6,893**	**4,136**	**11,029**	1,333	1,064	2,397
Cash and cash equivalents	**1,161,102**	**27,164**	**1,188,266**	337,359	108,435	445,794
TOTAL ASSETS	**11,243,979**	**3,389,038**	**14,633,017**	11,223,742	3,193,052	14,416,794
LIABILITIES						
Surplus distribution payable	**258,163**	**-**	**258,163**	252,086	-	252,086
Defined benefits obligation	**142,110**	**-**	**142,110**	134,990	-	134,990
Return payable on statutory deposit	**-**	**3,050**	**3,050**	-	2,774	2,774
Claims payable, accrued expenses and other liabilities	**975,991**	**9,404**	**985,395**	1,725,446	4,081	1,729,527
Short term borrowings	**-**	**-**	**-**	401,998	-	401,998
Reserve for takaful activities	**3,372**	**-**	**3,372**	3,544	-	3,544
Gross outstanding claims	**2,400,729**	**-**	**2,400,729**	2,516,652	-	2,516,652
Incurred but not reported claims reserve	**1,770,241**	**-**	**1,770,241**	1,549,350	-	1,549,350
Premium deficiency reserve	**30,277**	**-**	**30,277**	52,401	-	52,401
Unearned commission income	**42,289**	**-**	**42,289**	37,538	-	37,538
Gross unearned premiums	**5,031,265**	**-**	**5,031,265**	4,319,378	-	4,319,378
Reinsurers' balances payable	**503,409**	**-**	**503,409**	254,559	-	254,559
Dividends payable	**-**	**8,630**	**8,630**	-	6,411	6,411
Zakat payable	**-**	**415,023**	**415,023**	-	346,224	346,224
TOTAL LIABILITIES	**11,157,846**	**436,107**	**11,593,953**	11,247,942	359,490	11,607,432
EQUITY						
Share capital	**-**	**1,250,000**	**1,250,000**	-	1,250,000	1,250,000
Statutory reserve	**-**	**1,197,495**	**1,197,495**	-	1,144,183	1,144,183
Fair value reserve for investments	**106,229**	**46,284**	**152,513**	(3,939)	93,475	89,536
Re-measurement of defined benefits obligation	**(20,096)**	**-**	**(20,096)**	(20,261)	-	(20,261)
Retained earnings	**-**	**459,152**	**459,152**	-	345,904	345,904
TOTAL EQUITY	**86,133**	**2,952,931**	**3,039,064**	(24,200)	2,833,562	2,809,362
TOTAL LIABILITIES AND EQUITY	**11,243,979**	**3,389,038**	**14,633,017**	11,223,742	3,193,052	14,416,794

32. SUPPLEMENTARY INFORMATION (continued)

***b)* Consolidated statement of income**

	2021			2020		
	Insurance operations	**Shareholders' & Subsidiary operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
REVENUES						
Gross premiums written	**10,218,606**		**10,218,606**	9,061,768		9,061,768
Reinsurance ceded	**(1,594,488)**		**(1,594,488)**	(1,478,346)		(1,478,346)
Excess of loss premiums	**(20,719)**		**(20,719)**	(22,184)		(22,184)
Fee income from takaful	**4,466**		**4,466**	6,667		6,667
Net premiums written	**8,607,865**		**8,607,865**	7,567,905		7,567,905
Changes in unearned premiums, net	**(678,203)**		**(678,203)**	(525,520)		(525,520)
Net premiums earned	**7,929,662**		**7,929,662**	7,042,385		7,042,385
Reinsurance commissions	**132,294**		**132,294**	116,726		116,726
Other underwriting income	**6,269**		**6,269**	6,889		6,889
Total revenues	**8,068,225**		**8,068,225**	7,166,000		7,166,000
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	**6,750,880**		**6,750,880**	6,876,704		6,876,704
Expenses incurred related to claims	**13,162**		**13,162**	57,736		57,736
Reinsurers' share of claims paid	**(347,397)**		**(347,397)**	(1,127,381)		(1,127,381)
Net claims and other benefits paid	**6,416,645**		**6,416,645**	5,807,059		5,807,059
Changes in outstanding claims, net	**84,323**		**84,323**	(30,363)		(30,363)
Changes in incurred but not reported claims, net	**181,432**		**181,432**	(338,294)		(338,294)
Changes in premium deficiency reserves	**(22,124)**		**(22,124)**	49,571		49,571
Net claims and other benefits incurred	**6,660,276**		**6,660,276**	5,487,973		5,487,973
Changes in reserves for takaful activities	**(172)**		**(172)**	(1,462)		(1,462)
Policy acquisition costs	**365,192**	**(14,929)**	**350,263**	398,567	(8,180)	390,387
Other underwriting expenses	**137,541**		**137,541**	129,953		129,953
Insurers share distribution	**62,861**		**62,861**	142,535		142,535
Total underwriting costs and expenses	**7,225,698**	**(14,929)**	**7,210,769**	6,157,566	(8,180)	6,149,386
Net underwriting income	**842,527**	**14,929**	**857,456**	1,008,434	8,180	1,016,614
OTHER OPERATING (EXPENSES) / INCOME						
General and administrative expenses	**(737,796)**	**(8,472)**	**(746,268)**	(622,165)	(5,997)	(628,162)
Allowance for doubtful debts	**(39,891)**	**-**	**(39,891)**	(49,199)	-	(49,199)
Investment income, net	**145,751**	**138,434**	**284,185**	157,487	51,305	208,792
Share of profit from investments in equity accounted investments, net	**-**	**18,602**	**18,602**	(108)	15,152	15,044
Impairment of available for sale investments	**-**	**-**	**-**	(2,637)	(2,175)	(4,812)
Other income, net	**12,712**	**(14,328)**	**(1,616)**	14,292	(7,500)	6,792
Net income for the year before attribution and zakat	**223,303**	**149,165**	**372,468**	506,104	58,965	565,069
Surplus transferred to Shareholders' operations	**(200,973)**	**200,973**	**-**	(455,494)	455,494	-
Net income for the year after Shareholders' appropriations before zakat	**22,330**	**350,138**	**372,468**	50,610	514,459	565,069
Zakat charge for the year	**-**	**(83,578)**	**(83,578)**	-	(121,129)	(121,129)
Net income for the year after zakat	**22,330**	**266,560**	**288,890**	50,610	393,330	443,940

32. SUPPLEMENTARY INFORMATION (continued)

c) Consolidated statement of comprehensive income

	2021			2020		
	Insurance operations	**Shareholders' & Subsidiary operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
Net income for the year after zakat	**22,330**	**266,560**	**288,890**	50,610	393,330	443,940
Other comprehensive income:						
Not to be recycled back to the consolidated statement of income in subsequent years:						
Re-measurement of defined benefits obligation	**165**	**-**	**165**	(5,721)	-	(5,721)
To be recycled back to the consolidated statement of income in subsequent years:						
Available for sale investments						
- Net change in fair value	**168,727**	**36,882**	**205,609**	(69,011)	41,127	(27,884)
- Net amounts transferred to the consolidated statement of income	**(58,559)**	**(83,398)**	**(141,957)**	(49,699)	401	(49,298)
Share of other comprehensive income of investment in in equity accounted investments	**-**	**(675)**	**(675)**	-	(754)	(754)
Total comprehensive income for the year	**132,663**	**219,369**	**352,032**	(73,821)	434,104	360,283
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus distribution payable			**(22,330)**			(50,610)
Total comprehensive income for the year			**329,702**			309,673

32. SUPPLEMENTARY INFORMATION (continued)

d) Consolidated Statement of cash flows

	2021			2020		
	Insurance operations	**Shareholders' & Subsidiary operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
Operating activities:						
Net income for the year before attribution and zakat	**-**	**350,138**	**350,138**	-	514,459	514,459
Adjustments for non-cash items:						
Net income attributed to the insurance operations	**22,330**	**-**	**22,330**	50,610	-	50,610
Depreciation	**27,299**	**-**	**27,299**	29,445	-	29,445
Amortisation of intangible assets	**5,019**	**-**	**5,019**	1,057	-	1,057
Allowance for doubtful debts	**39,891**	**-**	**39,891**	49,199	-	49,199
Dividend and commission income	**(87,193)**	**(58,854)**	**(146,047)**	(105,151)	(58,151)	(163,302)
Gain on sale of available-for-sale investments	**(58,559)**	**(83,398)**	**(141,957)**	(52,336)	(1,774)	(54,110)
Impairment of available-for-sale-investments	**-**	**-**	**-**	2,637	2,175	4,812
Finance cost	**4,374**	**-**	**4,374**	1,998	-	1,998
Share of profit from investments in equity accounted investments, net	**-**	**(18,602)**	**(18,602)**	108	(15,152)	(15,044)
Provision for defined benefits obligation	**20,333**	**-**	**20,333**	14,255	-	14,255
	(26,506)	**189,284**	**162,778**	(8,178)	441,557	433,379
Changes in operating assets and liabilities:						
Prepaid expenses and others assets	**191,551**	**(1,447)**	**190,104**	(532,351)	-	(532,351)
Deferred excess of loss premiums	**5,222**	**-**	**5,222**	(5,009)	-	(5,009)
Deferred policy acquisition costs	**6,773**	**-**	**6,773**	(13,879)	-	(13,879)
Reinsurers' share of outstanding claims	**200,246**	**-**	**200,246**	1,137,876	-	1,137,876
Reinsurers' share of claims incurred but not reported	**(39,459)**	**-**	**(39,459)**	37,940	-	37,940
Reinsurers' share of unearned premiums	**(33,684)**	**-**	**(33,684)**	32,261	-	32,261
Receivables, net	**218,661**	**-**	**218,661**	(2,033,858)	-	(2,033,858)
Reinsurers' balances payable	**248,850**	**-**	**248,850**	(269,261)	-	(269,261)
Gross unearned premiums	**711,887**	**-**	**711,887**	493,259	-	493,259
Unearned commission income	**4,751**	**-**	**4,751**	(5,785)	-	(5,785)
Gross outstanding claims	**(115,923)**	**-**	**(115,923)**	(1,168,239)	-	(1,168,239)
Incurred but not reported claims reserve	**220,891**	**-**	**220,891**	(376,234)	-	(376,234)
Premium deficiency reserve	**(22,124)**	**-**	**(22,124)**	49,571	-	49,571
Reserve for takaful activities	**(172)**	**-**	**(172)**	(1,462)	-	(1,462)
Claims payable, accrued expenses and other liabilities	**(796,604)**	**5,323**	**(791,281)**	727,927	(79)	727,848
	774,360	**193,160**	**967,520**	(1,935,422)	441,478	(1,493,944)
Defined benefits obligation paid	**(13,048)**		**(13,048)**	(14,466)	-	(14,466)
Surplus paid to policyholders during the period	**(16,253)**		**(16,253)**	(6,110)	-	(6,110)
Zakat paid during the year	**-**	**(14,779)**	**(14,779)**	-	(30,459)	(30,459)
Net cash flows generated from / (used in) operating activities	**745,059**	**178,381**	**923,440**	(1,955,998)	411,019	(1,544,979)

32. SUPPLEMENTARY INFORMATION (continued)

d) Consolidated Statement of cash flows (continued)

	2021			2020		
	Insurance operations	**Shareholders' & Subsidiary operations**	**Total**	Insurance operations	Shareholders' & Subsidiary operations	Total
			SAR'000			
Investing activities:						
Proceeds from sale of available-for-sale investments	**1,064,852**	**661,285**	**1,726,137**	1,211,221	969,535	2,180,756
Purchase of available-for-sale investments	**(416,823)**	**(456,082)**	**(872,905)**	(1,777,122)	(693,086)	(2,470,208)
Proceeds from maturity of mudaraba / murabaha deposits	**3,114,990**	**4,106,967**	**7,221,957**	4,973,669	5,723,747	10,697,416
Placement in mudaraba / murabaha deposits	**(3,524,148)**	**(4,343,475)**	**(7,867,623)**	(4,687,222)	(5,605,750)	(10,292,972)
Dividend and commission income received	**81,633**	**55,782**	**137,415**	108,009	59,229	167,238
Dividends received from investments in in equity accounted investments	**-**	**13,690**	**13,690**	-	20,241	20,241
Purchase of property and equipment	**(14,780)**	**-**	**(14,780)**	(13,454)	-	(13,454)
Purchase of intangible assets	**(13,938)**	**-**	**(13,938)**	(4,794)	-	(4,794)
Net cash flows (used in) / generated from investing activities	**291,786**	**38,167**	**329,953**	(189,693)	473,916	284,223
Financing activities:						
(Repayment of) / proceeds from short-term borrowings	**(400,000)**	**-**	**(400,000)**	400,000	-	400,000
Repayment of lease liabilities	**(7,394)**	**-**	**(7,394)**	-	-	-
Finance cost paid	**(5,746)**		**(5,746)**	-	-	-
Dividends paid	**-**	**(97,781)**	**(97,781)**	-	-	-
Due to shareholders	**200,038**	**(200,038)**	**-**	785,649	(785,649)	-
Net cash flows (used in) / generated from financing activities	**(213,102)**	**(297,819)**	**(510,921)**	1,185,649	(785,649)	400,000
Net change in cash and cash equivalents during the year	**823,743**	**(81,271)**	**742,472**	(960,042)	99,286	(860,756)
Cash and cash equivalents, beginning of the year	**337,359**	**108,435**	**445,794**	1,297,401	9,149	1,306,550
Cash and cash equivalents, end of the year	**1,161,102**	**27,164**	**1,188,266**	337,359	108,435	445,794
Non-cash supplemental information:						
Changes in fair value for available-for-sale investments	**110,168**	**(46,516)**	**63,652**	(118,710)	41,528	(77,182)
Share of other comprehensive income in equity accounted investments	**-**	**(675)**	**(675)**	-	(754)	(754)
Recognition of right-of-use assets	**(56,350)**	**-**	**(56,350)**	-	-	-
Recognition of lease liabilities	**53,917**	**-**	**53,917**	-	-	-
Loss on re-measurement of defined benefits obligation	**165**	**-**	**165**	(5,721)	-	(5,721)
Reclassification to available-for-sale investments from investment in equity accounted investments	**-**	**-**	**-**	10,250	-	10,250

33. RISK MANAGEMENT

(a) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on treaty and facultative basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the consolidated statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligation assumed under such reinsurance arrangements.

Frequency and severity of claims

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

Concentration of insurance risk

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

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

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

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the consolidated statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

33. RISK MANAGEMENT (Continued)

(a) Insurance risk (continued)

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 premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the consolidated 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 Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the consolidated financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 10% change in the claim ratio, net of reinsurance, would impact income from insurance operations as follows;

	Surplus from insurance operations	
Impact of change in claim ratio by + / - 10%	**2021**	2020
	SAR'000	
Medical	**164,778**	137,238
Medical –Umrah	**140**	28
Motor	**29,128**	34,090
Property and casualty	**14,157**	15,012
General Accident – Umrah	**240**	3
Travel & COVID-19	**2,011**	-
Protection & Savings	**275**	234
	210,729	186,605

(b) Reinsurance risk

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

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

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

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

Furthermore, the financial strength and managerial and technical expertise as well as historical performance of the reinsurers, wherever applicable, are thoroughly reviewed by the Company and agreed to pre-set requirements of the Company's Board of Directors and Reinsurance Committee before approving them for exchange of reinsurance business. As at December 31, 2021 and 2020, there is no significant concentration of reinsurance balances.

Reinsurance ceded contracts do not relieve the Company from its obligation to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligation under the reinsurance agreements.

33. RISK MANAGEMENT (Continued)

(c) Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market commission rates or the market price of securities or the instrument, change in market sentiments, speculative activities, supply and demand for securities and liquidity in the market.

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

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

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 has foreign currency transactions in respect of its insurance activities, available for sale investments and mudaraba / murabaha deposits which are predominantly conducted in USD and SAR. The Company is not exposed to its dealing in USD since SAR is pegged with USD. The transactions in currencies other than SAR and USD are not significant and accordingly the Company is not exposed to currency risk.

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

An increase or decrease of 100 basis points in interest yields would result in a change in the profit for the year by SAR 1.46 million (2020: SAR 1.54 million).

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

	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations		SAR'000		
2021				
Mudaraba / murabaha deposits	**1,700,623**	**-**	**-**	**1,700,623**
Available for sale investments	**-**	**988,328**	**551,034**	**1,539,362**
Cash and cash equivalents	**-**	**-**	**1,161,102**	**1,161,102**
Total	**1,700,623**	**988,328**	**1,712,136**	**4,401,087**
2020				
Mudaraba / murabaha deposits	1,291,465	-	-	1,291,465
Available for sale investments	24,574	847,267	1,146,823	2,018,664
Cash and cash equivalents	-	-	337,359	337,359
Total	1,316,039	847,267	1,484,182	3,647,488
Shareholders Operations				
2021				
Mudaraba / murabaha deposits	**2,079,975**	**-**	**-**	**2,079,975**
Available for sale investments	**-**	**167,808**	**663,773**	**831,581**
Cash and cash equivalents	**-**	**-**	**27,164**	**27,164**
Total	**2,079,975**	**167,808**	**690,937**	**2,938,720**
2020				
Mudaraba / murabaha deposits	1,843,467	-	-	1,843,467
Available for sale investments	3,048	171,284	825,570	999,902
Cash and cash equivalents	-	-	108,435	108,435
Total	1,846,515	171,284	934,005	2,951,804

33. RISK MANAGEMENT (Continued)

(c) Market risk (continued)

The impact of hypothetical change of a 10% increase and 10% decrease in the commission rates of investments on the Company's income and other comprehensive would be as follows:

	Rate change	Effect on Company's income SAR'000	Effect on Company's total comprehensive income SAR'000	Effect on Company's total equity SAR'000
December 31, 2021	**+ / - 10%**	**14,604**	**14,604**	**14,604**
December 31, 2020	+ / - 10%	15,486	15,486	15,486

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from commission rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's investments amounting SAR 327 million (2020: SAR 288 million) are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Company limits this nature of market risk by diversifying its invested portfolio and by actively monitoring the developments in markets.

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

	Fair value change	Effect on Company's other comprehensive income SAR'000	Effect on Company's total equity SAR'000
December 31, 2021	**+ / - 10%**	**32,651**	**32,651**
December 31, 2020	+ / - 10%	28,810	28,810

The sensitivity analysis presented is based upon the portfolio position as at December 31, 2021 and 2020. 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. The sensitivity of level 3 investments is disclosed in note 30.

(d) Credit Risk

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

The Company seeks to manage its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Company's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits and investments with reputable financial institutions. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A or above).

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

	2021	2020
	SAR'000	
ASSETS - INSURANCE OPERATIONS		
Cash and cash equivalents	**1,161,102**	337,359
Receivables, net	**3,222,001**	3,480,553
Available-for-sale investments	**1,539,362**	2,018,664
Mudaraba / murabaha deposits	**1,700,623**	1,291,465
Accrued investment income	**6,893**	1,333
Other assets	**582,279**	776,263
Reinsurers' share of gross outstanding claims, net (including IBNR)	**2,091,567**	2,252,354
Total	**10,303,827**	10,157,991

33. RISK MANAGEMENT (Continued)

(d) Credit risk (Continued)

	2021	2020
	SAR'000	
ASSETS - SHAREHOLDERS' OPERATIONS		
Cash and cash equivalents	**27,164**	108,435
Available-for-sale investments	**831,581**	999,902
Mudaraba / murabaha deposits	**2,079,975**	1,843,467
Accrued investment income	**4,136**	1,064
Statutory deposit (including accrued income)	**128,050**	127,774
Total	**3,070,906**	3,080,642

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Approximately 99% (2020: approximately 99%) of the Company's underwriting activities are carried out in Saudi Arabia. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk. For concentration of credit risk pertaining to receivables, refer note 13. The Company has significant exposure amounting to SAR 2.2 billion (2020: SAR 2.8 billion) classified as available for sale investments in Shariah Notes issued by Castle Investments Limited (Refer Note 8).

Credit risk exposure investments

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AA to BBB- (as per S&P) and/or Aaa to Baa3 (as per Moody's). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2021 SAR '000			2020 SAR '000		
ASSETS INSURANCE OPERATIONS	**Investment Grade**	**Non-investment Grade**	**Others***	Investment Grade	Non-investment Grade	Others*
Available-for-sale investments	**1,539,362**	**-**	**-**	2,018,664	-	-
Mudaraba / murabaha deposits	**1,700,623**	**-**	**-**	1,291,465	-	-
Receivables, net	**-**	**-**	**3,222,001**	-	-	3,480,553
Accrued investment income	**6,893**	**-**	**-**	1,333	-	-
Cash and cash equivalents	**1,161,102**	**-**	**-**	337,359	-	-
Total	**4,407,980**	**-**	**3,222,001**	3,648,821	-	3,480,553

	2021 SAR '000			2020 SAR '000		
ASSETS SHAREHOLDERS OPERATIONS	**Investment Grade**	**Non-investment Grade**	**Others***	Investment Grade	Non-investment Grade	Others*
Available-for-sale investments	**831,581**	**-**	**-**	999,902	-	-
Mudaraba / murabaha deposits	**2,079,975**	**-**	**-**	1,843,467	-	-
Accrued investment income	**4,136**	**-**	**-**	1,064	-	-
Cash and cash equivalents	**27,164**	**-**	**-**	108,435	-	-
Total	**2,942,856**	**-**	**-**	2,952,868	-	-

* Others include premium receivables from policyholders. The Company's portfolio mainly comprise of Government clients and high credit-worthy corporate clients.

33. RISK MANAGEMENT (Continued)

(e) Liquidity risk

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

The table below summarizes the maturities of the Company's discounted contractual obligation relating to financial assets and liabilities:

Maturity Profile	**2021 SAR '000**			2020 SAR '000		
ASSETS INSURANCE OPERATIONS	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Available-for-sale investments	**1,539,362**	**-**	**1,539,362**	2,018,664	-	2,018,664
Mudaraba / murabaha deposits	**1,700,623**	-	**1,700,623**	1,291,465	-	1,291,465
Receivables, net	**3,222,001**	-	**3,222,001**	3,480,553	-	3,480,553
Prepaid expenses and other assets	**582,279**	-	**582,279**	776,263	-	776,263
Accrued investment income	**6,893**	-	**6,893**	1,333	-	1,333
Cash and cash equivalents	**1,161,102**	-	**1,161,102**	337,359	-	337,359
Reinsurers' share of gross outstanding claims	**1,762,324**	**-**	**1,762,324**	1,962,570	-	1,962,570
Reinsurers' share of incurred but not reported claims	**329,243**	-	**329,243**	289,784	-	289,784
Total	**10,303,827**	-	**10,303,827**	10,157,991	-	10,157,991
LIABILITIES INSURANCE OPERATIONS						
Reinsurers' balances payable	**503,409**	**-**	**503,409**	254,559	-	254,559
Gross outstanding claims	**2,400,729**	**-**	**2,400,729**	2,516,652	-	2,516,652
Incurred but not reported claims reserve	**1,770,241**	**-**	**1,770,241**	1,549,350	-	1,549,350
Premium deficiency reserve	**30,277**	**-**	**30,277**	52,401	-	52,401
Reserve for takaful activities	**3,372**	**-**	**3,372**	3,544	-	3,544
Claims payable, accrued expenses and other liabilities	**928,842**	**-**	**928,842**	1,725,446	-	1,725,446
Lease liabilities	**8,273**	**38,876**	**47,149**	-	-	-
Defined benefits obligation	**142,110**	**-**	**142,110**	134,990	-	134,990
Short term borrowings	**-**	**-**	**-**	401,998	-	401,998
Surplus distribution payable	**258,163**	**-**	**258,163**	252,086	-	252,086
	6,045,416	**38,876**	**6,084,292**	6,489,028	-	6,489,028
Total liquidity gap	**4,258,411**	**(38,876)**	**4,219,535**	3,668,963	-	3,668,963

33. RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

	2021 SAR '000			2020 SAR '000		
ASSETS SHAREHOLDERS OPERATIONS	**Less than one year**	**More than one year**	**Total**	Less than one year	More than one year	Total
Available-for-sale investments	**831,581**	**-**	**831,581**	828,618	171,284	999,902
Accrued investment income	**4,136**	-	**4,136**	1,064	-	1,064
Mudaraba / murabaha deposits	**2,079,975**	-	**2,079,975**	1,843,467	-	1,843,467
Statutory deposit (including accrued income)	**3,050**	**125,000**	**128,050**	2,774	125,000	127,774
Cash and cash equivalents	**27,164**	**-**	**27,164**	108,435	-	108,435
Total	**2,945,906**	**125,000**	**3,070,906**	2,784,358	296,284	3,080,642
LIABILITIES SHAREHOLDERS OPERATIONS						
Dividends payable	**8,630**	-	**8,630**	6,411	-	6,411
Return payable on statutory deposit	**3,050**	-	**3,050**	2,774	-	2,774
Claims payable, accrued expenses and other liabilities	**9,404**	-	**9,404**	4,081	-	4,081
	21,084	-	**21,084**	13,266	-	13,266
Total liquidity gap	**2,924,822**	**125,000**	**3,049,822**	2,771,092	296,284	3,067,376

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Available for sale investments are held for cash management purposes and expected to be matured / settled within 12 months from the consolidated statement of financial position date.
- Accrued investment income is expected to be realized within 1 to 3 months from consolidated statement of financial position's date.
- Mudaraba / murabaha deposits are deposits placed with high credit rating financial institutions with maturity within six months from the date of placement.
- Cash and bank balances are available on demand.
- Reinsurers' share of outstanding claims majorly pertain to property and casualty segment and are generally realized within three to six months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled on a quarterly basis as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment. Property and casualty policies due to the inherent nature are generally settled within one month from the date of receipt of loss adjustor report.
- The claims payable, accrued expenses and other liabilities are expected to settle within a period of three months from the period end date.
- Surplus distribution payable is to be settled within six months of annual general meeting in which consolidated financial statements are approved.

33. RISK MANAGEMENT (Continued)

(f) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management 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 investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

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

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

34. CAPITAL MANAGEMENT

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

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

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

As at December 31, 2021 the Company's solvency level is higher than the minimum solvency margin required by the Implementing Regulations of the Cooperative Insurance Companies Control Law. The capital structure of the Company as at December 31, 2021 consists of paid-up share capital of SAR 1,250 million, statutory reserves of SAR 1,197 million and retained earnings of SAR 459 million (December 31, 2020: paid-up share capital of SAR 1,250 million, statutory reserves of SAR 1,144 million and retained earnings of SAR 345.9 million) in the consolidated statement of financial position.

35. REALIZED GAINS ON FINANCIAL ASSETS, NET

	2021	2020
	SAR'000	
INSURANCE OPERATIONS		
Realized gain on available-for-sale financial assets	**58,559**	52,336
Realized gain on financial assets, net	**58,559**	52,336
SHAREHOLDERS OPERATIONS		
Realized gain on available-for-sale financial assets	**83,398**	1,774
Realized gain on financial assets, net	**83,398**	1,774

36. CONTINGENT LIABILITIES

As at December 31, 2021, the Company was contingently liable for letters of guarantees, issued on its behalf by the banks, amounting to SAR 258 million (December 31, 2020: SAR 200 million) occurring in the normal course of business.

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. Appropriate provisions have been made in relation to pending cases and management believes that finalization of these court cases is not expected to have a material impact on the consolidated financial statements.

37. DUE FROM SHAREHOLDERS/ DUE TO INSURANCE OPERATIONS

During the year, shareholders have absorbed 90% of surplus from insurance operations amounting to SAR 201 million resulting in due from insurance operation balance as at December 31, 2021 amounting to SAR 227 million.

38. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period. These changes were made for better presentation of balances and transactions in the consolidated financial statements of the Group. These changes do not have impact on the consolidated statement of income and retained earnings.

Financial statement line item	**Balance as previously stated SAR'000**	**Effect of restatement SAR'000**	**Balance as restated SAR'000**
Prepaid expenses and other assets	616,895	159,368	776,263
Surplus distribution payable	84,893	167,193	252,086
Claims payable, accrued expenses and other liabilities	1,737,352	(7,825)	1,729,527

The Company has reclassified SAR 8.1 million from 'Policy acquisition costs' to Other (expenses) / income, net for better presentation of transactions in the consolidated statement of income of the Group.

39. SUBSEQUENT EVENTS

a. In February 2022, the Company agreed on a zakat settlement with the Alternative Dispute Resolution Committee (ADRC) amounting to SAR 221 million for the assessment years 2014 to 2018 (refer note 20).

b. In January 2022, Tax Violation and Dispute Committee (TVDC) have provided the detailed ruling judgment and reasoning of the TVDC related to the ongoing VAT assessment. Based on the above and in accordance with Article 40(2) of the GSTC Rules and Regulation, the Company has filed an appeal to TVDC on 16 February 2022 i.e., within 30 days following receipt of the ruling judgment (refer note 10).

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on Sha'ban 07, 1443H, corresponding to March 10, 2022.